

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

OR

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

OR

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

Date of event requiring this shell company report : Not applicable

For the transition period from _____ to _____

Commission file number 001-32458

DIANA SHIPPING INC.

(Exact name of Registrant as specified in its charter)

Diana Shipping Inc.

(Translation of Registrant's name into English)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

Pendelis 16, 175 64 Palaio Faliro, Athens, Greece

(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value, including the Preferred Stock Purchase Rights	DSX	New York Stock Exchange
8.875% Series B Cumulative Redeemable Perpetual Preferred Shares, \$0.01 par value	DSXPRB	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2019, there were 91,193,339 shares of the registrant's common stock outstanding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note-Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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FORWARD-LOOKING STATEMENTS

Matters discussed in this annual report and the documents incorporated by reference 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, but are not limited to, statements concerning plans, objectives, goals, strategies, future events or performance, underlying assumptions and other statements, which are other than statements of historical facts.

Diana Shipping Inc., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by the Company or on its behalf may include forward-looking statements, which reflect its current views with respect to future events and financial performance, and are not intended to give any assurance as to future results. When used in this document, the words “believe”, “anticipate,” “intends,” “estimate,” “forecast,” “project,” “plan,” “potential,” “will,” “may,” “should,” “expect,” “targets,” “likely,” “would,” “could,” “seeks,” “continue,” “possible,” “might,” “pending,” and similar expressions, terms or phrases may identify forward-looking statements.

Please note in this annual report, “we”, “us”, “our” and “the Company” all refer to Diana Shipping Inc. and its subsidiaries, unless otherwise indicated.

The forward-looking statements in this document 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 its records and other data available from third parties. Although the Company believes 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 its control, the Company cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company is making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated.

In addition to these important factors and matters discussed elsewhere herein, including under the heading “Item 3. Key Information—D. Risk Factors,” and in the documents incorporated by reference herein, important factors that, in its view, could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to:

- the strength of world economies;
- fluctuations in currencies and interest rates;
- general market conditions, including fluctuations in charter hire rates and vessel values;
- changes in demand in the dry-bulk shipping industry;
- changes in the supply of vessels, including when caused by new newbuilding vessel orders or changes to or terminations of existing orders, and vessel scrapping levels;
- changes in the Company’s operating expenses, including bunker prices, crew costs, drydocking and insurance costs;
- the Company’s future operating or financial results;
- availability of financing and refinancing and changes to the Company’s financial condition and liquidity, including the Company’s ability to pay amounts that it owes and obtain additional financing to fund capital expenditures, acquisitions and other general corporate activities and the Company’s ability to obtain financing and comply with the restrictions and other covenants in the Company’s financing arrangements;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from pending or future litigation;

- compliance with governmental, tax, environmental and safety regulation, any non-compliance with the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) or other applicable regulations relating to bribery;
- the impact of the discontinuance of LIBOR after 2021 on interest rates of any of the Company's debt that reference LIBOR;
- the failure of counter parties to fully perform their contracts with the Company;
- the Company's dependence on key personnel;
- adequacy of insurance coverage;
- the volatility of the price of the Company's common shares;
- the Company's incorporation under the laws of the Marshall Islands and the different rights to relief that may be available compared to other countries, including the United States;
- general domestic and international political conditions or labor disruptions;
- acts by terrorists or acts of piracy on ocean-going vessels;
- the length and severity of the recent novel coronavirus (COVID-19) outbreak and its impact in the dry-bulk shipping industry;
- potential disruption of shipping routes due to accidents or political events; and
- other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the SEC, and the New York Stock Exchange, or the NYSE.

This report may contain assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as forward-looking statements. The Company may also from time to time make forward- looking statements in other documents and reports that are filed with or submitted to the Commission, in other information sent to the Company's security holders, and in other written materials. The Company also cautions that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. The Company undertakes no obligation to publicly update or revise any forward-looking statement contained in this report, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The following tables set forth our selected consolidated financial data and other operating data. The selected consolidated financial data in the tables as of and for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 are derived from our audited consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The following data should be read in conjunction with “Item 5. Operating and Financial Review and Prospects”, the consolidated financial statements, related notes and other financial information included elsewhere in this annual report.

	As of and for the Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands of U.S. dollars, except for share and per share data, fleet data and average daily results)				
Statement of Operations Data:					
Time charter revenues	\$ 220,728	\$ 226,189	\$ 161,897	\$ 114,259	\$ 157,712
Impairment loss	13,987	-	442,274	-	-
Operating income/(loss)	17,622	38,250	(483,987)	(88,321)	(47,177)
Net income/(loss)	(10,535)	16,580	(511,714)	(164,237)	(64,713)
Dividends on series B preferred shares	(5,769)	(5,769)	(5,769)	(5,769)	(5,769)
Income/(loss) attributed to common stockholders	(16,304)	10,811	(517,483)	(170,006)	(70,482)
Earnings/(loss) per common share, basic and diluted	(0.17)	0.10	(5.41)	(2.11)	(0.89)
Weighted average number of common shares, basic	95,191,116	103,736,742	95,731,093	80,441,517	79,518,009
Weighted average number of common shares, diluted	95,191,116	104,715,883	95,731,093	80,441,517	79,518,009

	As of and for the Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands of U.S. dollars, except for share and per share data and average daily results)				
Balance Sheet Data:					
Total assets	\$ 1,071,280	\$ 1,187,796	\$ 1,246,722	\$ 1,668,663	\$ 1,836,965
Total current liabilities	65,484	125,156	80,441	78,225	58,889
Capital stock	1,022,571	1,063,709	1,071,587	986,044	977,731
Long-term debt (including current portion), net of deferred financing costs	474,951	530,547	601,384	598,181	600,071
Total stockholders' equity	570,064	627,684	624,758	1,056,589	1,218,366
Cash Flow Data:					
Net cash provided by/(used in) operating activities	\$ 49,882	\$ 79,930	\$ 23,413	\$ (20,998)	\$ 23,945
Net cash provided by/(used in) investing activities	38,397	99,370	(152,333)	(41,619)	(155,637)
Net cash provided by/(used in) financing activities	(111,398)	(93,702)	73,587	(9,459)	106,009

	As of and for the Year Ended December 31,				
	2019	2018	2017	2016	2015
Fleet Data:					
Average number of vessels (1)	45.0	49.9	49.6	45.2	40.8
Number of vessels at year-end	42.0	48.0	50.0	46.0	43.0
Weighted average age of vessels at year-end (in years)	9.5	9.1	8.4	8.2	7.4
Ownership days (2)	16,442	18,204	18,119	16,542	14,900
Available days (3)	16,192	17,964	17,890	16,447	14,600
Operating days (4)	15,971	17,799	17,566	16,354	14,492
Fleet utilization (5)	98.6%	99.1%	98.2%	99.4%	99.3%
Average Daily Results:					
Time charter equivalent (TCE) rate (6)	\$ 12,796	\$ 12,179	\$ 8,568	\$ 6,106	\$ 9,739
Daily vessel operating expenses (7)	5,510	5,247	4,987	5,196	5,924

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.
- (2) Ownership days are the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.
- (3) Available days are the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels for such events. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

- (4) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- (5) We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning for such events.
- (6) Time charter equivalent rates, or TCE rates, are defined as our time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE rate is a non-GAAP measure, and management believes it is useful to investors because it is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters are generally expressed in such amounts. The following table reflects the calculation of our TCE rates for the periods presented.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars, and available days)				
Time charter revenues	\$ 220,728	\$ 226,189	\$ 161,897	\$ 114,259	\$ 157,712
Less: voyage expenses	(13,542)	(7,405)	(8,617)	(13,826)	(15,528)
Time charter equivalent revenues	\$ 207,186	\$ 218,784	\$ 153,280	\$ 100,433	\$ 142,184
Available days	16,192	17,964	17,890	16,447	14,600
Time charter equivalent (TCE) rate	\$ 12,796	\$ 12,179	\$ 8,568	\$ 6,106	\$ 9,739

- (7) Daily vessel operating expenses, which include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, are calculated by dividing vessel operating expenses by ownership days for the relevant period.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our securities, including our common stock and our Series B Preferred Shares. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results, cash available for the payment of dividends on our shares and interest on our loan facilities and Bond, or the trading price of our securities.

Industry Specific Risk Factors

Charter hire rates for dry bulk carriers are volatile, which may adversely affect our earnings, revenue and profitability and our ability to comply with our loan covenants.

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk carriers has varied widely, and charter hire rates for Panamax and Capesize dry bulk carriers have declined significantly from historically high levels. Because we charter some of our vessels pursuant to short-term time charters, we are exposed to changes in spot market and short-term charter rates for dry bulk carriers and such changes may affect our earnings and the value of our dry bulk carriers at any given time. In addition, about half of our vessels are scheduled to come off of their current charters in 2020, based on their earliest redelivery date, for which we may be seeking new employment. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or pay any dividends in the future. Fluctuations in charter rates result from changes in the supply of and demand for vessel capacity and changes in the supply of and demand for the major commodities carried by water internationally. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for dry bulk vessel capacity include:

- supply of and demand for energy resources, commodities, semi-finished and finished consumer and industrial products;
- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts, terrorist activities, embargoes, strikes, tariffs and “trade wars;”
- economic slowdowns caused by public health events such as the recent COVID-19 outbreak;
- natural disasters and other disruptions in international trade;
- disruptions and developments in international trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea and trade patterns;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of dry bulk vessel capacity include:

- the number of newbuilding orders and deliveries, including slippage in deliveries;
- the number of shipyards and ability of shipyards to deliver vessels;
- port and canal congestion;

- the scrapping rate of older vessels;
- speed of vessel operation;
- vessel casualties;
- the number of vessels that are out of service, namely those that are laid-up, dry-docked, awaiting repairs or otherwise not available for hire; and
- sanctions (in particular, sanctions on Iran and Venezuela, amongst others).

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing dry bulk fleet in the market and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

We anticipate that the future demand for our dry bulk carriers will be dependent upon economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global dry bulk carrier fleet and the sources and supply of dry bulk cargo transported by sea. While there has been a general decrease in new dry bulk carrier ordering since 2014, the capacity of the global dry bulk carrier fleet could increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

The dry bulk carrier charter market remains significantly below its high in 2008, which has had and may continue to have an adverse effect on our revenues, earnings and profitability, and may affect our ability to comply with our loan covenants.

The abrupt and dramatic downturn in the dry bulk charter market, from which we derive substantially all of our revenues, has severely affected the dry bulk shipping industry and has adversely affected our business. The Baltic Dry Index, or the BDI, a daily average of charter rates for key dry bulk routes published by the Baltic Exchange Limited, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then, reaching a record low of 290 in February 2016. In 2019 BDI ranged from a low of 595 in February to a high of 2,518 in September and remains at comparatively low levels relative to historical highs and there can be no assurance that the dry bulk charter market will not decline further. The decline and volatility in charter rates is due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which has resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which has resulted in falling iron ore prices and increased stockpiles in Chinese ports. The decline and volatility in charter rates in the dry bulk market also affects the value of our dry bulk vessels, which follows the trends of dry bulk charter rates, and earnings on our charters, and similarly, affects our cash flows, liquidity and compliance with the covenants contained in our loan agreements.

The decline in the dry bulk carrier charter market has had and may continue to have additional adverse consequences for our industry, including an absence of financing for vessels, no active secondhand market for the sale of vessels, charterers seeking to renegotiate the rates for existing time charters, and widespread loan covenant defaults in the dry bulk shipping industry. Accordingly, the value of our common shares could be substantially reduced or eliminated.

The current state of the global financial markets and current economic conditions may adversely impact our results of operation, financial condition, cash flows, and ability to obtain additional financing or refinance our existing and future credit facilities on acceptable terms which may negatively impact our business.

Global financial markets and economic conditions have been, and continue to be, volatile. Beginning in February 2020, due in part to fears associated with the spread of COVID-19 (as more fully described below), global financial markets, and starting in late February, financial markets in the U.S., experienced even greater relative volatility and a steep and abrupt downturn, which volatility and downturn may continue as COVID-19 continues to spread. Credit markets and the debt and equity capital markets have been distressed and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices that will not be dilutive to our existing shareholders or preclude us from issuing equity at all. Economic conditions may also adversely affect the market price of our common shares.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the availability and cost of obtaining money from the public and private equity and debt markets has become more difficult. Many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers and other market participants, including equity and debt investors, and some have been unwilling to invest on attractive terms or even at all. Due to these factors, we cannot be certain that additional financing will be available if needed and to the extent required, or that we will be able to refinance our existing and future credit facilities, on acceptable terms or at all. If financing or refinancing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

Credit markets in the United States and Europe have in the past experienced significant contraction, deleveraging and reduced liquidity, and there is a risk that the U.S. federal government and state governments and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations and financial condition and may cause the price of our common shares to decline.

If economic conditions throughout the world continue to deteriorate or become more volatile, it could impede our operations.

The world economy faces a number of challenges, including the effects of volatile oil prices, trade tensions between the United States and China and between the United States and the European Union, continuing turmoil and hostilities in the Middle East, the Korean Peninsula, North Africa, Venezuela, Iran and other geographic areas and countries, continuing threat of terrorist attacks around the world, continuing instability and conflicts and other recent occurrences in the Middle East and in other geographic areas and countries, continuing economic weakness in the European Union, or the E.U., and stabilizing growth in China, as well as rapidly growing public health concerns such as the recent COVID-19 outbreak. Due to the recent outbreak of COVID-19, since late February, the financial markets in the U.S. have been in steep decline. If U.S. and world economic conditions continue to weaken, the demand for our services may be negatively affected.

Our ability to secure funding is dependent on well-functioning capital markets and on an appetite to provide funding to the shipping industry. If global economic conditions worsen or lenders for any reason decide not to provide debt financing to us, we may, among other things, not be able to secure additional financing to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due, or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

In Europe, large sovereign debts and fiscal deficits, low growth prospects and high unemployment rates in a number of countries have contributed to the rise of Eurosceptic parties, which would like their countries to leave the Euro. The exit of the United Kingdom, or the U.K., from the European Union, or the EU, as described more fully below, and potential new trade policies in the United States further increase the risk of additional trade protectionism.

In China, a transformation of the Chinese economy is underway, as China transforms from a production-driven economy towards a service or consumer-driven economy. The Chinese economic transition implies that we do not expect the Chinese economy to return to double digit GDP growth rates in the near term. The quarterly year-over-year growth rate of China's GDP decreased to 6.1% for the year ending December 31, 2019 as compared to 6.6% for the year ending December 31, 2018 and continues to remain below pre-2008 levels. Furthermore, there is a rising threat of a Chinese financial crisis resulting from massive personal and corporate indebtedness and "trade wars." The International Monetary Fund has warned that continuing trade tensions, including significant tariff increases, between the United States and China, are expected to result in a cumulative reduction in global GDP. Additionally, following the emergence of COVID-19, industrial activity in China came to a quick halt in early 2020. The outbreak of COVID-19 is a very negative development for the Chinese economy and has led to an economic contraction. We cannot assure you that the Chinese economy will not continue to contract in the future.

While the recent developments in Europe and China have been without significant immediate impact on our charter rates, an extended period of deterioration in the world economy could reduce the overall demand for our services. Such changes could adversely affect our future performance, results of operations, cash flows and financial position.

Further, governments may turn and have turned to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States and China have implemented certain increasingly protective trade measures, which have been somewhat mitigated by the recent trade deal (first phase trade agreement) between the United States and China, which requires China to purchase over USD 50 billion of energy products. Additionally, in March 2018, President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally and in January 2019, the United States announced expanded sanctions against Venezuela.

There have also been continuing trade tensions, including significant tariff increases, between the United States and China. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition.

Prospective investors should consider the potential impact, uncertainty and risk associated with the development in the wider global economy. Further economic downturn in any of these countries could have a material effect on our future performance, results of operations, cash flows and financial position.

The U.K.'s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

In June 2016, a majority of voters in the U.K. elected to withdraw from the EU in a national referendum (informally known as "Brexit"), a process that the government of the U.K. formally initiated in March 2017. Since then, the U.K. and the EU have been negotiating the terms of a withdrawal agreement, which was approved in October 2019 and ratified in January 2020. The U.K. formally exited the EU on January 31, 2020, although a transition period remains in place until December 2020, during which the U.K. will be subject to the rules and regulations of the EU while continuing to negotiate the parties' relationship going forward, including trade deals. There is currently no agreement in place regarding the aftermath of the withdrawal, creating significant uncertainty about the future relationship between the U.K. and the EU, including with respect to the laws and regulations that will apply as the U.K. determines which EU derived laws to replace or replicate following the withdrawal. Brexit has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments and uncertainties, or the perception that any of them may occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business and on our consolidated financial position, results of operations and our ability to pay distributions. Additionally, Brexit or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Brexit contributes to considerable uncertainty concerning the current and future economic environment. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets.

Regulations relating to ballast water discharge may adversely affect our revenues and profitability.

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention ('IOPP') renewal survey, existing vessels constructed before September 8, 2017 must comply with the updated D-2 Discharge Performance Standard ('D-2 standard') on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ships constructed on or after September 8, 2017 are to comply with the D-2 standards on or after September 8, 2017. We currently have 25 vessels that do not comply with the updated guideline and costs of compliance may be substantial and adversely affect our revenues and profitability.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit ("VGP") program and U.S. National Invasive Species Act ("NISA") are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018, requires that the EPA develop national standards of performance for approximately 30 discharges, similar to those found in the VGP within two years. By approximately 2022, the U.S. Coast Guard must develop corresponding implementation, compliance, and enforcement regulations regarding ballast water. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs.

An over-supply of dry bulk carrier capacity may prolong or further depress the current low charter rates and, in turn, adversely affect our profitability.

The market supply of dry bulk carriers has increased materially since 2009 due to a high level of new deliveries in the last few years. Although dry bulk newbuilding deliveries have tapered off since 2014, newbuildings continued to be delivered through the end of 2018. While vessel supply will continue to be affected by the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or accidental losses, an over-supply of dry bulk carrier capacity could prolong the period during which low charter rates prevail. Currently, about half of our vessels are scheduled to come off of their current charters in 2020, based on their earliest redelivery date, for which we may be seeking new employment.

Risks associated with operating ocean-going vessels could affect our business and reputation, which could adversely affect our revenues and stock price.

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- acts of God;
- terrorism;
- environmental accidents;
- cargo and property losses or damage;
- business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes or adverse weather conditions; and
- piracy.

These hazards may result in death or injury to persons, loss of revenues or property, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships, and market disruptions, delay or rerouting, which may also subject us to litigation. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs and maintenance are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels in an environmental disaster may also harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss which could negatively impact our business, financial condition, results of operations and available cash.

In addition, international shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

World events could affect our results of operations and financial condition.

Continuing conflicts and recent developments in the Middle East, including increased tensions between the U.S. and Iran, which in January 2020 escalated into a U.S. airstrike in Baghdad that killed a high-ranking Iranian general, as well as the Ukraine and other geographic countries and areas, geopolitical events such as Brexit, terrorist or other attacks, and war (or threatened war) or international hostilities, such as those between the United States and North Korea, may lead to armed conflict or acts of terrorism around the world, which may contribute to further economic instability in the global financial markets, and international commerce. Additionally, any further escalations of tension between the U.S. and Iran could result in retaliation from Iran that could potentially affect the shipping industry, through increased attacks on vessels in the Strait of Hormuz (which already experienced an increased number of attacks on and seizures of vessels in 2019). These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea, the Gulf of Aden off the coast of Somalia and, in particular the Gulf of Guinea region off Nigeria, which experienced increased incidents of piracy in 2019. Any of these occurrences could have a material adverse impact on our operating results. Additionally, Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Outbreaks of epidemic and pandemic of diseases and governmental responses thereto could adversely affect our business.

In addition, public health threats, such as COVID-19 (more fully described below), influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, could adversely impact our operations, the timing of completion of any outstanding or future newbuilding projects, as well as the operations of our customers. In addition, public health threats in any area, including areas where we do not operate, could disrupt international transportation. Our crews generally work on a rotation basis, with a substantial portion relying on international air transport for rotation. Any such disruptions could impact the cost of rotating our crews, and possibly impact our ability to maintain a full crew on all rigs at a given time. Any of these public health threats and related consequences could adversely affect our financial results.

The recent outbreak of coronavirus COVID-19, a virus causing potentially deadly respiratory tract infections originating in China, has already caused severe global disruptions and may negatively affect economic conditions regionally as well as globally and otherwise impact our operations and the operations of our customers and suppliers. Governments in affected countries are imposing travel bans, quarantines and other emergency public health measures. In response to the virus, China, Italy, Spain and France have implemented lockdown measures, and other countries and local governments may enact similar policies. As of March 15, 2020, the United States has temporarily restricted travel by foreign nationals into the country from a number of areas, including China and Europe. In addition, on March 18, 2020, the U.S. and Canada agreed to restrict all nonessential travel across the border. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. These restrictions, and future prevention and mitigation measures, are likely to have an adverse impact on global economic conditions, which could materially adversely affect our future operations. Uncertainties regarding the economic impact of the COVID-19 outbreak is likely to result in sustained market turmoil, which could also negatively impact our business, financial condition and cash flows.

As a result of these measures, our vessels may not be able to call on ports, or may be restricted from disembarking from ports, located in regions affected by the outbreak. In addition we may experience severe operational disruptions and delays, unavailability of normal port infrastructure and services including limited access to equipment, critical goods and personnel, disruptions to crew change, quarantine of ships and/or crew, counterparty solvency, closure of ports and custom offices, as well as disruptions in the supply chain and industrial production, which may lead to reduced cargo demand, amongst other potential consequences attendant to epidemic and pandemic diseases. The extent of the COVID-19 outbreak's effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, although our operations have not been materially affected by the COVID-19 outbreak to date, the ultimate severity of the COVID-19 outbreak is uncertain at this time and therefore we cannot predict the impact it may have on our future operations, which could be material and adverse, particularly if the pandemic continues to evolve into a severe worldwide health crisis.

Acts of piracy on ocean-going vessels could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia, Sulu Sea and Celebes Sea and in particular the Gulf of Guinea region off Nigeria, which experienced increased incidents of piracy in 2019. Although the frequency of sea piracy worldwide has generally decreased since 2013, sea piracy incidents continue to occur. Acts of piracy could result in harm or danger to the crews that man our vessels. In addition, if these piracy attacks occur in regions in which our vessels are deployed that insurers characterized as "war risk" zones or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. Furthermore, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charterhire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not "on-hire" for a certain number of days and is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition and earnings.

Our operating results are subject to seasonal fluctuations, which could affect our operating results.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The dry bulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be weaker during the fiscal quarters ended June 30 and September 30, and, conversely, our revenues may be stronger in fiscal quarters ended December 31 and March 31. While this seasonality will not directly affect our operating results, it could materially affect our operating results to the extent our vessels are employed in the spot market in the future.

An increase in the price of fuel may adversely affect our profits.

While we generally will not bear the cost of fuel or bunkers for vessels operating on time charters, fuel is a significant factor in negotiating charter rates. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability at the time of charter negotiation. Fuel is also a significant, if not the largest, expense in shipping when vessels are under voyage charter. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply of and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries, or OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. In March 2020 the price of oil decreased significantly due to economic conditions and an increase in oil production. However, fuel may become much more expensive in the future, including as a result of new regulations mandating a reduction in sulfur emissions to 0.5% as of January 2020. An increase in oil price in the future may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail. Other future regulations may have a similar impact.

We are subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

Our business and the operations of our vessels are materially affected by environmental regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions (including greenhouse gases), water discharges and ballast water management. These regulations include, but are not limited to, European Union regulations, the U.S. Oil Pollution Act of 1990, requirements of the U.S. Coast Guard, or USCG and the U.S. Environmental Protection Agency, the U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), the U.S. Clean Water Act, and the U.S. Maritime Transportation Security Act of 2002, and regulations of the IMO, including the International Convention on Civil Liability for Oil Pollution Damage of 1969, the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978, collectively referred to as MARPOL 73/78 or MARPOL, including designations of Emission Control Areas, thereunder, SOLAS, the International Convention on Load Lines of 1966, the International Convention of Civil Liability for Bunker Oil Pollution Damage, and the ISM Code. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such requirements or the impact thereof on the re-sale price or useful life of any vessel that we own or will acquire. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. Government regulation of vessels, particularly in the areas of safety and environmental requirements, continue to change, requiring us to incur significant capital expenditures on our vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. In addition, we may incur significant costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential environmental violations and in obtaining insurance coverage.

In addition, we are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates, approvals and financial assurances with respect to our operations. Our failure to maintain necessary permits, licenses, certificates, approvals or financial assurances could require us to incur substantial costs or temporarily suspend operation of one or more of the vessels in our fleet, or lead to the invalidation or reduction of our insurance coverage.

Environmental requirements can also affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including for cleanup obligations and natural resource damages, in the event that there is a release of petroleum or hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of hazardous substances associated with our existing or historic operations. Violations of, or liabilities under, environmental requirements can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of our vessels.

Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. These security procedures may result in cargo seizure, delays in the loading, offloading, trans-shipment or delivery and the levying of customs duties, fines or other penalties against us.

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition and earnings.

The operation of dry bulk carriers has certain unique operational risks which could affect our earnings and cash flow.

The international shipping industry is an inherently risky business involving global operations. Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, human error, environmental accidents, war, terrorism, piracy and other circumstances or events. In addition, transporting cargoes across a wide variety of international jurisdictions creates a risk of business interruptions due to political circumstances in foreign countries, hostilities, labor strikes and boycotts, the potential for changes in tax rates or policies, and the potential for government expropriation of our vessels. Any of these events may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

Furthermore, the operation of vessels, such as dry bulk carriers, has certain unique risks. With a dry bulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, dry bulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, dry bulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach to the sea. Hull breaches in dry bulk carriers may lead to the flooding of the vessels' holds. If a dry bulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads leading to the loss of a vessel. If we are unable to adequately repair our vessels after such damages, we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, financial condition, earnings, and ability to pay dividends, if any, in the future, and interest on our Bond. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

We cannot assure you that we will be adequately insured against all risks or that we will be able to obtain adequate insurance coverage at reasonable rates for our vessels in the future. For example, in the past more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Additionally, our insurers may refuse to pay particular claims. Any significant loss or liability for which we are not insured could have a material adverse effect on our financial condition.

If our vessels call on ports located in countries or territories that are subject to sanctions or embargoes imposed by the U.S. government, the European Union, the United Nations, or other governments, it could result in monetary fines or penalties imposed on us and may adversely affect our reputation and the market for our securities

If our vessels call on ports or operate in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such activities may result in a sanctions violation and we could be subject to monetary fines, penalties, or other sanctions, and our reputation and the market for our ordinary shares could adversely affected. Although we endeavor to take precautions reasonably designed to mitigate such activities, including relevant provisions in charter agreements forbidding the use of our vessels in trade that would violate economic sanctions, there can be no assurance that we will maintain such compliance, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Since July 11, 2011, none of our vessels have called on ports in North Korea, Sudan or Syria.

From time to time on charterers' instructions, our vessels may call on ports located in countries subject to countrywide U.S. sanctions, including Iran, North Korea, Sudan and Syria. Since July 11, 2011, none of our vessels have called on ports in North Korea, Sudan or Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. Current or future counterparties of ours may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the U.S. administration, the EU, and/or other international bodies. If we determine that such sanctions require us to terminate existing or future contracts to which we or our subsidiaries are party or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm.

Currently, we do not believe that any of our existing counterparties are affiliated with persons or entities that are subject to such sanctions.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports in areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows and financial condition.

Maritime claimants could arrest or attach our vessels, which would interrupt our business or have a negative effect on our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo, lenders, and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of funds to have the arrest or attachment lifted, which would have a negative effect on our cash flows.

In addition, in some jurisdictions, such as South Africa, under the "sister-ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister-ship" liability against one vessel in our fleet for claims relating to another of our ships.

We conduct business in China, where the legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to us.

Some of our vessels may be chartered to Chinese customers and from time to time on our charterers' instructions, our vessels may call on Chinese ports. Such charters and voyages may be subject to regulations in China that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Applicable laws and regulations in China may not be well publicized and may not be known to us or to our charterers in advance of us or our charterers becoming subject to them, and the implementation of such laws and regulations may be inconsistent. Changes in Chinese laws and regulations, including with regards to tax matters, or changes in their implementation by local authorities could affect our vessels if chartered to Chinese customers as well as our vessels calling to Chinese ports and could have a material adverse impact on our business, financial condition and results of operations.

Governments could requisition our vessels during a period of war or emergency, resulting in a loss of earnings.

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues and reduce the amount of cash we may have available for distribution as dividends to our shareholders, if any such dividends are declared.

Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, earnings or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

Changing laws and evolving reporting requirements could have an adverse effect on our business.

Changing laws, regulations and standards relating to reporting requirements, including the European Union General Data Protection Regulation, or GDPR, may create additional compliance requirements for us.

GDPR broadens the scope of personal privacy laws to protect the rights of European Union citizens and requires organizations to report on data breaches within 72 hours and be bound by more stringent rules for obtaining the consent of individuals on how their data can be used. GDPR has become enforceable on May 25, 2018 and non-compliance may expose entities to significant fines or other regulatory claims which could have an adverse effect on our business, financial condition, and operations.

Company Specific Risk Factors

The market values of our vessels have declined in recent years and may further decline, which could limit the amount of funds that we can borrow and could trigger breaches of certain financial covenants contained in our loan facilities, which could adversely affect our operating results, and we may incur a loss if we sell vessels following a decline in their market values.

The market values of our vessels, which are related to prevailing freight charter rates, have declined significantly in recent years. While the market values of vessels and the freight charter market have a very close relationship as the charter market moves from trough to peak, the time lag between the effect of charter rates on market values of ships can vary.

The market values of our vessels have generally experienced high volatility, and you should expect the market values of our vessels to fluctuate depending on a number of factors including:

- the prevailing level of charter hire rates;
- general economic and market conditions affecting the shipping industry;
- competition from other shipping companies and other modes of transportation;
- the types, sizes and ages of vessels;
- the supply of and demand for vessels;
- applicable governmental or other regulations;
- technological advances;
- the need to upgrade vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise; and
- the cost of newbuildings.

The market values of our vessels are at low levels compared to historical averages and if the market values of our vessels were to decline further, we may not be in compliance with certain covenants contained in our current and future loan facilities and we may not be able to refinance our debt or obtain additional financing or incur debt on terms that are acceptable to us or at all. As at December 31, 2019, we were in compliance with all of the covenants in our loan facilities. If we are not able to comply with the covenants in our loan facilities or are unable to obtain waivers or amendments or otherwise remedy the relevant breach, our lenders could accelerate our debt and foreclose on our vessels.

Furthermore, if we sell any of our owned vessels at a time when prices are depressed, our business, results of operations, cash flow and financial condition could be adversely affected. Moreover, if we sell a vessel at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings. In addition, if vessel values persist or decline further, we may have to record an impairment adjustment in our financial statements which could adversely affect our financial results.

We charter some of our vessels on short-term time charters in a volatile shipping industry and a decline in charter hire rates could affect our results of operations and our ability to pay dividends.

Although significant exposure to short-term time charters is not unusual in the dry bulk shipping industry, the short-term time charter market is highly competitive and spot market charter hire rates (which affect time charter rates) may fluctuate significantly based upon available charters and the supply of, and demand for, seaborne shipping capacity. While the short-term time charter market may enable us to benefit in periods of increasing charter hire rates, we must consistently renew our charters and this dependence makes us vulnerable to declining charter rates. As a result of the volatility in the dry bulk carrier charter market, we may not be able to employ our vessels upon the termination of their existing charters at their current charter hire rates or at all. The dry bulk carrier charter market is volatile, and in the recent past, short-term time charter and spot market charter rates for some dry bulk carriers declined below the operating costs of those vessels before rising. We cannot assure you that future charter hire rates will enable us to operate our vessels profitably, or to pay dividends.

Rising crew costs could adversely affect our results of operations.

Due to an increase in the size of the global shipping fleet, the limited supply of and increased demand for crew has created upward pressure on crew costs. Continued higher crew costs or further increases in crew costs could adversely affect our results of operations.

Our investment in Diana Wilhelmsen Management Limited may expose us to additional risks.

During 2015 we invested in a 50/50 joint venture with Wilhelmsen Ship Management which provides management services to a limited number of vessels in our fleet and to affiliated companies, but our eventual goal is to provide fleet management services to unaffiliated third party vessel operators. While this joint venture may provide us in the future with a potential revenue source, it may also expose us to risks such as low customer satisfaction, increased operating costs compared to those we would achieve for our vessels, and inability to adequately staff our vessels with crew that meets our expectations or to maintain our vessels according to our standards, which would adversely affect our financial condition.

A cyber-attack could materially disrupt our business.

We rely on information technology systems and networks in our operations and administration of our business. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. More specifically, on October 27, 2016, the International Maritime Organization's Marine Environment Protection Committee ("MEPC") announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from 3.5% currently to 0.5% as of the beginning of January 1, 2020. Additionally, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies —levels of ambition to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely.

Since January 1, 2020, ships have to either remove sulfur from emissions or buy fuel with low sulfur content, which may lead to increased costs and supplementary investments for ship owners. The interpretation of "fuel oil used on board" includes use in main engine, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are available around the world but at a higher cost; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which required adopting countries to implement national programs to reduce emissions of certain gases, or the Paris Agreement (discussed further below), a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies may impose additional costs on us or expose us to additional risks.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Companies which do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and/or stock price of such a company could be materially and adversely affected.

We may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us. If we do not meet these standards, our business and/or our ability to access capital could be harmed.

Additionally, certain investors and lenders may exclude companies, such as us, from their investing portfolios altogether due to environmental, social and governance factors. These limitations in both the debt and equity capital markets may affect our ability to grow as our plans for growth may include accessing the equity and debt capital markets. If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. Further, it is likely that we will incur additional costs and require additional resources to monitor, report and comply with wide ranging ESG requirements. The occurrence of any of the foregoing could have a material adverse effect on our business and financial condition.

The Public Company Accounting Oversight Board inspection of our independent accounting firm, could lead to findings in our auditors’ reports and challenge the accuracy of our published audited consolidated financial statements.

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board, or PCAOB, inspections that assess their compliance with U.S. law and professional standards in connection with performance of audits of financial statements filed with the SEC. For several years certain European Union countries, including Greece, did not permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they were part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB was prevented from evaluating our auditor’s performance of audits and its quality control procedures, and, unlike stockholders of most U.S. public companies, we and our stockholders were deprived of the possible benefits of such inspections. Since 2015, Greece has agreed to allow the PCAOB to conduct inspections of accounting firms operating in Greece. In the future, such PCAOB inspections could result in findings in our auditors’ quality control procedures, question the validity of the auditor’s reports on our published consolidated financial statements and the effectiveness of our internal control over financial reporting, and cast doubt upon the accuracy of our published audited financial statements.

Our earnings may be adversely affected if we are not able to take advantage of favorable charter rates.

We charter our dry bulk carriers to customers pursuant to short, medium or long-term time charters. However, as part of our business strategy, the majority of our vessels are currently fixed on short to medium-term time charters. We may extend the charter periods for additional vessels in our fleet, including additional dry bulk carriers that we may purchase in the future, to take advantage of the relatively stable cash flow and high utilization rates that are associated with long-term time charters. While we believe that long-term charters provide us with relatively stable cash flows and higher utilization rates than shorter-term charters, our vessels that are committed to long-term charters may not be available for employment on short-term charters during periods of increasing short-term charter hire rates when these charters may be more profitable than long-term charters.

Investment in derivative instruments such as forward freight agreements could result in losses.

From time to time, we may take positions in derivative instruments including forward freight agreements, or FFAs. FFAs and other derivative instruments may be used to hedge a vessel owner's exposure to the charter market by providing for the sale of a contracted charter rate along a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates, as reported by an identified index, for the specified route and period, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. If we take positions in FFAs or other derivative instruments and do not correctly anticipate charter rate movements over the specified route and time period, we could suffer losses in the settling or termination of the FFA. This could adversely affect our results of operations and cash flows.

We may have difficulty effectively managing any growth, which may adversely affect our earnings.

Since the completion of our initial public offering in March 2005, we have increased our fleet to 51 vessels in operation in 2017, and decreased it to 41, as of the date of this annual report. The significant increase in the size of our fleet has imposed significant additional responsibilities on our management and staff. We may grow our fleet further in the future and this may require us to increase the number of our personnel. We may also have to increase our customer base to provide continued employment for the new vessels.

Any future growth will primarily depend on our ability to:

- locate and acquire suitable vessels;
- identify and consummate acquisitions or joint ventures;
- enhance our customer base;
- manage our expansion; and
- obtain required financing on acceptable terms.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations, the possibility that indemnification agreements will be unenforceable or insufficient to cover potential losses and difficulties associated with imposing common standards, controls, procedures and policies, obtaining additional qualified personnel, managing relationships with customers and integrating newly acquired assets and operations into existing infrastructure. We cannot give any assurance that we will be successful in executing any future growth plans or that we will not incur significant expenses and losses in connection with our future growth.

We cannot assure you that we will be able to borrow amounts under our loan facilities and restrictive covenants in our loan facilities impose financial and other restrictions on us.

We have entered into several loan agreements to finance vessel acquisitions and the construction of newbuildings. As of December 31, 2019, we had \$478.3 million outstanding under our facilities and bond. Our ability to borrow amounts under our facilities is subject to the execution of customary documentation relating to the facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Prior to each drawdown, we are required, among other things, to provide the lender with acceptable valuations of the vessels in our fleet confirming that the vessels in our fleet have a minimum value and that the vessels in our fleet that secure our obligations under the facilities are sufficient to satisfy minimum security requirements. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may not be able to draw down the full amount under the facilities without obtaining a waiver or consent from the lender. We will also not be permitted to borrow amounts under the facilities if we experience a change of control.

The loan facilities also impose operating and financial restrictions on us. These restrictions may limit our ability to, among other things:

- pay dividends if we do not repay amounts drawn under our loan facilities, if there is a default under the loan facilities or if the payment of the dividend would result in a default or breach of a loan covenant;
- incur additional indebtedness, including through the issuance of guarantees;
- change the flag, class or management of our vessels;
- create liens on our assets;
- sell our vessels;
- enter into a time charter or consecutive voyage charters that have a term that exceeds, or which by virtue of any optional extensions may exceed a certain period;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; and
- enter into a new line of business.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we cannot guarantee that we will be able to obtain our lenders' permission when needed. This may limit our ability to finance our future operations, make acquisitions or pursue business opportunities.

We cannot assure you that we will be able to refinance indebtedness incurred under our loan facilities.

We cannot assure you that we will be able to refinance our indebtedness with equity offerings or otherwise, on terms that are acceptable to us or at all. If we are not able to refinance these amounts with the net proceeds of equity offerings or otherwise, on terms acceptable to us or at all, we will have to dedicate a greater portion of our cash flow from operations to pay the principal and interest of this indebtedness than if we were able to refinance such amounts. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans. The actual or perceived credit quality of our charterers, any defaults by them, and the market value of our fleet, among other things, may materially affect our ability to obtain alternative financing. In addition, debt service payments under our loan facilities or alternative financing may limit funds otherwise available for working capital, capital expenditures and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our loan facilities or an alternative financing arrangement, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

Purchasing and operating secondhand vessels may result in increased operating costs and reduced operating days, which may adversely affect our earnings.

While we have the right to inspect previously owned vessels prior to our purchase of them and we usually inspect secondhand vessels that we acquire, such inspections do not provide us with the same knowledge about their condition that we would have if these vessels had been built for, and operated exclusively by, us. A secondhand vessel may have conditions or defects that we were not aware of when we bought the vessel and which may require us to incur costly repairs to the vessel. These repairs may require us to put a vessel into drydock, which would reduce our operating days. Furthermore, we usually do not receive the benefit of warranties on secondhand vessels.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We enter into, among other things, charter parties with our customers. Such agreements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, in depressed market conditions, our charterers may no longer need a vessel that is currently under charter or may be able to obtain a comparable vessel at lower rates. As a result, charterers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, it may be difficult to secure substitute employment for such vessels, and any new charter arrangements we secure may be at lower rates. As a result, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In the highly competitive international shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources, and as a result, we may be unable to employ our vessels profitably.

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of dry bulk cargo by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources than us could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer. If we are unable to successfully compete with other dry bulk shipping companies, our results of operations may be adversely impacted.

We recently underwent a transition with respect to certain of our directors and executive officers and this transition, along with the possibility that we may in the future be unable to retain and recruit qualified key executives, key employees or key consultants, may delay our development efforts or otherwise harm our business.

Effective as of February 19, 2020, Mr. Christos Glavanis and Mr. Andreas Michalopoulos resigned from our board of directors. As a result of the retirements of Messrs. Glavanis and Michalopoulos, the size of our board of directors has been reduced from eleven to nine members.

Additionally, in February 2020, as part of a long-term management succession plan, Mr. Andreas Michalopoulos resigned as our Chief Financial Officer and Treasurer to devote substantially all of his time to other business endeavors. Our board of directors has appointed Mr. Ioannis Zafirakis as Interim Chief Financial Officer and Treasurer to replace Mr. Michalopoulos, effective as of February 28, 2020. The above-referenced management succession plan also included the appointment of Ms. Semiramis Paliou to the position of Deputy Chief Executive Officer, as previously announced on October 25, 2019.

Our future development and prospects depend to a large degree on the experience, performance and continued service of our senior management team. Retention of these services or the identification of suitable replacements in case of future vacancies cannot be guaranteed. There can be no guarantee that the services of the current directors and senior management team will be retained, or that suitably skilled and qualified individuals can be identified and employed, which may adversely impact our ability to commercial and financial performance. The loss of the services of any of the directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on our commercial and financial performance as well. If we are unable to hire, train and retain such personnel in a timely manner, our operations could be delayed and our ability to grow our business will be impaired and the delay and inability may have a detrimental effect upon our performance.

We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of our management and results of operations.

Our success depends to a significant extent upon the abilities and efforts of our management team. We have entered into employment contracts with our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios; our President, Mr. Anastasios Margaronis; our Interim Chief Financial Officer, Chief Strategy Officer, Treasurer and Secretary Mr. Ioannis Zafirakis and our Deputy Chief Executive Officer and Chief Operating Officer, Mrs. Semiramis Paliou. Our success will depend upon our ability to retain key members of our management team and to hire new members as may be necessary. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could have a similar effect. We do not currently, nor do we intend to, maintain “key man” life insurance on any of our officers or other members of our management team.

Technological innovation and quality and efficiency requirements from our customers could reduce our charterhire income and the value of our vessels.

Our customers, have a high and increasing focus on quality and compliance standards with their suppliers across the entire supply chain, including the shipping and transportation segment. Our continued compliance with these standards and quality requirements is vital for our operations. The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel’s efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel’s physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new vessels are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels and the resale value of our vessels could significantly decrease. This could have an adverse effect on our results of operations, cash flows, financial condition and ability to pay dividends.

We may not have adequate insurance to compensate us if we lose our vessels or to compensate third parties.

We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. Our current insurance includes hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance). We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

Our vessels may suffer damage and we may face unexpected drydocking costs, which could adversely affect our cash flow and financial condition.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. The loss of earnings while a vessel is being repaired and repositioned, as well as the actual cost of these repairs not covered by our insurance, would decrease our earnings and available cash. We may not have insurance that is sufficient to cover all or any of the costs or losses for damages to our vessels and may have to pay drydocking costs not covered by our insurance.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Currently, our fleet consists of 41 vessels in operation, having a combined carrying capacity of 5.1 million dead weight tons, or dwt, and a weighted average age of 9.5 years as of the date of this report. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

We are exposed to U.S. dollar and foreign currency fluctuations and devaluations that could harm our reported revenue and results of operations.

We generate all of our revenues in U.S. dollars but incur around half of our operating expenses and our general and administrative expenses in currencies other than the U.S. dollar, primarily the Euro. Because a significant portion of our expenses is incurred in currencies other than the U.S. dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. dollar and the Euro, which could affect the amount of net income that we report in future periods. While we historically have not mitigated the risk associated with exchange rate fluctuations through the use of financial derivatives, we may employ such instruments from time to time in the future in order to minimize this risk. Our use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

Volatility of LIBOR and potential changes of the use of LIBOR as a benchmark could affect our profitability, earnings and cash flow.

The London Interbank Offered Rate ("LIBOR") is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to be eliminated or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness and obligations. LIBOR has been volatile in the past, with the spread between LIBOR and the prime lending rate widening significantly at times. Because the interest rates borne by a majority of our outstanding indebtedness fluctuate with changes in LIBOR, significant changes in LIBOR would have a material effect on the amount of interest payable on our debt, which in turn, could have an adverse effect on our financial condition.

Furthermore, the calculation of interest in most financing agreements in our industry has been based on published LIBOR rates. Due in part to uncertainty relating to the LIBOR calculation process, in recent years, it is likely that LIBOR will be phased out in the future. As a result, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are required to agree to such a provision in future financing agreements, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow. In addition, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or "SOFR." The impact of such a transition from LIBOR to SOFR could be significant for us.

In order to manage our exposure to interest rate fluctuations, we may use interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can however be given that the use of these derivative instruments, if any, may effectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position. Interest rate derivatives may also be impacted by the transition from LIBOR to SOFR or other alternative rates.

We depend upon a few significant customers for a large part of our revenues and the loss of one or more of these customers could adversely affect our financial performance.

We have historically derived a significant part of our revenues from a small number of charterers. During 2019, 2018, and 2017, approximately 60%, 55% and 43%, respectively, of our revenues were derived from four, four and three charterers, respectively. If one or more of our charterers chooses not to charter our vessels or is unable to perform under one or more charters with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition and results of operations.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to satisfy our financial obligations depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, we may not be able to satisfy our financial obligations.

Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands, and substantially all of our assets are located outside of the United States. In addition, the majority of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for someone to bring an action against us or against these individuals in the United States if they believe that their rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict them from enforcing a judgment against our assets or the assets of our directors or officers.

The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.

We are incorporated under the laws of the Republic of the Marshall Islands and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

If we expand our business further, we may need to improve our operating and financial systems and will need to recruit suitable employees and crew for our vessels.

Our current operating and financial systems may not be adequate if we further expand the size of our fleet and our attempts to improve those systems may be ineffective. In addition, if we expand our fleet further, we will need to recruit suitable additional seafarers and shoreside administrative and management personnel. While we have not experienced any difficulty in recruiting to date, we cannot guarantee that we will be able to continue to hire suitable employees if we expand our fleet. If we or our crewing agents encounter business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees should we determine to expand our fleet, our financial performance may be adversely affected, among other things.

We may have to pay tax on U.S. source income, which would reduce our earnings.

Under the U.S. Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a vessel-owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as U.S. source shipping income and such income is generally subject to a 4% U.S. federal income tax without allowance for deductions, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder.

We expect that we and each of our subsidiaries qualify for this statutory tax exemption for the 2019 taxable year and we will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption in future years and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, in certain circumstances we may no longer qualify for exemption under Code Section 883 for a particular taxable year if shareholders, other than "qualified shareholders", with a five percent or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to this exemption under Section 883 of the Code for any taxable year, we or our subsidiaries would be subject for those years to a 4% U.S. federal income tax on our gross U.S.-source shipping income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders, although, for the 2019 taxable year, we estimate our maximum U.S. federal income tax liability to be immaterial if we were subject to this U.S. federal income tax. See "Item 10. Additional Information—E. Taxation" for a more comprehensive discussion of U.S. federal income tax considerations.

U.S. federal tax authorities could treat us as a “passive foreign investment company”, which could have adverse U.S. federal income tax consequences to U.S. shareholders.

A foreign corporation will be treated as a “passive foreign investment company”, or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of “passive income” or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of “passive income.” For purposes of these tests, “passive income” includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute “passive income.” U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute “passive income,” and the assets that we own and operate in connection with the production of that income do not constitute assets that produce or are held for the production of “passive income”.

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service, or “IRS”, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations changed.

If the IRS or a court of law were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be subject to U.S. federal income tax at the then prevailing U.S. federal income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common stock, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common stock. See “Item 10. Additional Information—E. Taxation—United States Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences” for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. holders of our common stock if we are or were to be treated as a PFIC.

Risks Relating to Our Common Stock

Our board of directors has suspended the payment of cash dividends on our common stock. We cannot assure you that our board of directors will reinstate dividend payments in the future, or when such reinstatement might occur.

In order to position us to take advantage of market opportunities in a then-deteriorating market, our board of directors, beginning with the fourth quarter of 2008, suspended our common stock dividend. Our dividend policy will be assessed by our board of directors from time to time. We believe that this suspension has enhanced our flexibility by permitting cash flow that would have been devoted to dividends to be used for opportunities that have arisen, and may continue to arise in the marketplace, such as funding our operations, acquiring vessels and servicing our debt.

Our policy, prior to suspension of our dividend, was to declare quarterly distributions to shareholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after accounting for cash expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors may from time to time determine are required, and after taking into account contingent liabilities, the terms of our loan facilities, our growth strategy and other cash needs and the requirements of Marshall Islands law. The declaration and payment of dividends, if any, will always be subject to the discretion of our board of directors. The timing and amount of any dividends declared will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy and provisions of Marshall Islands law affecting the payment of dividends. In addition, other external factors, such as our lenders imposing restrictions on our ability to pay dividends under the terms of our loan facilities, may limit our ability to pay dividends. Further, under the terms of our loan agreements, we may not be permitted to pay dividends that would result in an event of default or if an event of default has occurred and is continuing.

Our growth strategy contemplates that we will finance the acquisition of additional vessels through a combination of debt and equity financing on terms acceptable to us. If financing is not available to us on acceptable terms, our board of directors may determine to finance or refinance acquisitions with cash from operations, which could also reduce or even eliminate the amount of cash available for the payment of dividends.

Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends. We can give no assurance that we will reinstate our dividends in the future or when such reinstatement might occur.

In addition, our ability to pay dividends to holders of our common shares will be subject to the rights of holders of our Series B Preferred Shares, which rank prior to our common shares with respect to dividends, distributions and payments upon liquidation. No cash dividend may be paid on our common stock unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Series B Preferred Shares for all prior and the then-ending dividend periods. Cumulative dividends on our Series B Preferred Shares accrue at a rate of 8.875% per annum per \$25.00 stated liquidation preference per Series B Preferred Share, subject to increase upon the occurrence of certain events, and are payable, as and if declared by our board of directors, on January 15, April 15, July 15 and October 15 of each year, or, if any such dividend payment date otherwise would fall on a date that is not a business day, the immediately succeeding business day. For additional information about our Series B Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the SEC on February 13, 2014 and incorporated by reference herein.

The market price of our common stock has fluctuated widely and may fluctuate widely in the future, and there is no guarantee that there will continue to be an active and liquid public market for you to resell our common stock in the future.

The market price of our common stock is volatile and has fluctuated widely since our common stock began trading on the NYSE, and may continue to fluctuate due to factors such as:

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- mergers and strategic alliances in the dry bulk shipping industry;
- market conditions in the dry bulk shipping industry;
- changes in government regulation;
- shortfalls in our operating results from levels forecast by securities analysts;
- announcements concerning us or our competitors; and
- the general state of the securities market.

The dry bulk shipping industry has been highly unpredictable and volatile. The market for common stock in this industry may be equally volatile. Therefore, we cannot assure you that you will be able to sell any of our common stock you may have purchased at a price greater than or equal to its original purchase price, or that you will be able to sell our common stock at all.

Since we are incorporated in the Marshall Islands, which does not have a well-developed body of corporate law, you may have more difficulty protecting your interests than shareholders of a U.S. corporation.

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in the United States. The rights of shareholders of the Marshall Islands may differ from the rights of shareholders of companies incorporated in the United States. While the BCA provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we cannot predict whether Marshall Islands courts would reach the same conclusions as U.S. courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction which has developed a relatively more substantial body of case law.

Certain existing shareholders will be able to exert considerable control over matters on which our shareholders are entitled to vote.

As of the date of this annual report, Mr. Simeon Palios, our Chief Executive Officer and Chairman of the Board, beneficially owns 16,103,998 shares, or approximately 18.0% of our outstanding common stock, which is held indirectly through entities over which he exercises sole voting power. Additionally, on January 31, 2019, we issued 10,675 shares of newly designated Series C Preferred Stock, par value \$0.01 per share, to a company controlled by Mr. Palios. The Series C Preferred Stock will vote with our common shares and each share of the Series C Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the common stockholders of the Issuer. Through his beneficial ownership of common shares and shares of Series C Preferred Stock, Mr. Palios controls 26.6% of the vote of any matter submitted to the vote of the common shareholders. Please see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders." While Mr. Palios and the entities controlled by Mr. Palios have no agreement, arrangement or understanding relating to the voting of their shares of our common stock, they are able to influence the outcome of matters on which our shareholders are entitled to vote, including the election of directors and other significant corporate actions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, consolidation, takeover or other business combination. This concentration of ownership could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our shares. So long as our Chairman continues to own a significant amount of our equity, even though the amount held by him represents less than 50% of our voting power, he will continue to be able to exercise considerable influence over our decisions. The interests of these shareholders may be different from your interests.

Future sales of our common stock could cause the market price of our common stock to decline.

Our amended and restated articles of incorporation authorize us to issue up to 200,000,000 shares of common stock, of which, as of December 31, 2019, 91,193,339 shares were outstanding. The number of shares of common stock available for sale in the public market is limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and principal shareholders have entered into.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

Anti-takeover provisions in our organizational documents could make it difficult for our shareholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Several provisions of our amended and restated articles of incorporation and bylaws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

- authorizing our board of directors to issue "blank check" preferred stock without shareholder approval;
- providing for a classified board of directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote for the directors;
- prohibiting shareholder action by written consent;
- limiting the persons who may call special meetings of shareholders; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

In addition, we have adopted a Stockholders Rights Agreement, dated January 15, 2016, pursuant to which our board of directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our board of directors.

These anti-takeover provisions, including provisions of our Stockholders Rights Agreement, could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

Our Series B Preferred Shares are senior obligations of ours and rank prior to our common shares with respect to dividends, distributions and payments upon liquidation, which could have an adverse effect on the value of our common shares.

The rights of the holders of our Series B Preferred Shares rank senior to the obligations to holders of our common shares. Upon our liquidation, the holders of Series B Preferred Shares will be entitled to receive a liquidation preference of \$25.00 per share, plus all accrued but unpaid dividends, prior and in preference to any distribution to the holders of any other class of our equity securities, including our common shares. The existence of the Series B Preferred Shares could have an adverse effect on the value of our common shares.

Risks Relating to Our Series B Preferred Stock

We may not have sufficient cash from our operations to enable us to pay dividends on our Series B Preferred Shares following the payment of expenses and the establishment of any reserves.

We pay quarterly dividends on our Series B Preferred Shares only from funds legally available for such purpose when, as and if declared by our board of directors. We may not have sufficient cash available each quarter to pay dividends. The amount of dividends we can pay on our Series B Preferred Shares depends upon the amount of cash we generate from and use in our operations, which may fluctuate.

The amount of cash we have available for dividends on our Series B Preferred Shares will not depend solely on our profitability. The actual amount of cash we have available to pay dividends on our Series B Preferred Shares depends on many factors, including the following:

- changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;
- restrictions under our existing or future credit facilities or any future debt securities on our ability to pay dividends if an event of default has occurred and is continuing or if the payment of the dividend would result in an event of default, or under certain facilities if it would result in the breach of certain financial covenants;
- the amount of any cash reserves established by our board of directors; and
- restrictions under Marshall Islands law, which generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which is affected by non-cash items, and our board of directors in its discretion may elect not to declare any dividends. As a result of these and the other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record net income.

The Series B Preferred Shares represent perpetual equity interests.

The Series B Preferred Shares represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As a result, holders of the Series B Preferred Shares may be required to bear the financial risks of an investment in the Series B Preferred Shares for an indefinite period of time. In addition, the Series B Preferred Shares will rank junior to all our indebtedness and other liabilities, and to any other senior securities we may issue in the future with respect to assets available to satisfy claims against us.

Our Series B Preferred Shares are subordinate to our indebtedness, and your interests could be diluted by the issuance of additional preferred shares, including additional Series B Preferred Shares, and by other transactions.

Our Series B Preferred Shares are subordinated to all of our existing and future indebtedness. Therefore, our ability to pay dividends on, redeem or pay the liquidation preference on our Series B Preferred Shares in liquidation or otherwise may be subject to prior payments due to the holders of our indebtedness. Our existing indebtedness restricts, and our future indebtedness may include restrictions on, our ability to pay dividends on or redeem preferred shares. Our amended and restated articles of incorporation currently authorize the issuance of up to 25,000,000 preferred shares, par value \$0.01 per share. Of these preferred shares, 1,000,000 shares have been designated Series A Participating Preferred Stock, 5,000,000 shares have been designated Series B Preferred Shares, and 10,675 are designated as Series C Preferred Shares. The Series B Preferred Shares are senior in rank to the Series A Participating Preferred Shares. The issuance of additional Series B Preferred Shares or other preferred shares on a parity with or senior to the Series B Preferred Shares would dilute the interests of holders of our Series B Preferred Shares, and any issuance of preferred shares senior to our Series B Preferred Shares or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series B Preferred Shares. The Series B Preferred Shares do not contain any provisions affording the holders of our Series B Preferred Shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, which might adversely affect the holders of our Series B Preferred Shares, so long as the rights of our Series B Preferred Shares are not directly materially and adversely affected.

We may redeem the Series B Preferred Shares, and you may not be able to reinvest the redemption price you receive in a similar security.

Since February 14, 2019, we may, at our option, redeem Series B Preferred Shares, in whole or in part, at any time or from time to time. We may have an incentive to redeem Series B Preferred Shares voluntarily if market conditions allow us to issue other preferred shares or debt securities at a rate that is lower than the dividend on the Series B Preferred Shares. If we redeem Series B Preferred Shares, then from and after the redemption date, your dividends will cease to accrue on your Series B Preferred Shares, your Series B Preferred Shares shall no longer be deemed outstanding and all your rights as a holder of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If we redeem the Series B Preferred Shares for any reason, you may not be able to reinvest the redemption price you receive in a similar security.

Market interest rates may adversely affect the value of our Series B Preferred Shares.

One of the factors that may influence the price of our Series B Preferred Shares is the dividend yield on the Series B Preferred Shares (as a percentage of the price of our Series B Preferred Shares) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our Series B Preferred Shares to expect a higher dividend yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of our Series B Preferred Shares to decrease.

As a holder of Series B Preferred Shares you have extremely limited voting rights.

Your voting rights as a holder of Series B Preferred Shares are extremely limited. Our common shares are the only outstanding class or series of our shares carrying full voting rights. Holders of Series B Preferred Shares have no voting rights other than the ability, subject to certain exceptions, to elect one director if dividends for six quarterly dividend periods (whether or not consecutive) payable on our Series B Preferred Shares are in arrears and certain other limited protective voting rights.

Our ability to pay dividends on and to redeem our Series B Preferred Shares is limited by the requirements of Marshall Islands law.

Marshall Islands law provides that we may pay dividends on and redeem the Series B Preferred Shares only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus, which essentially represents our retained earnings and the excess of consideration received by us for the sale of shares above the par value of the shares. In addition, under Marshall Islands law we may not pay dividends on or redeem Series B Preferred Shares if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

The amount of your liquidation preference is fixed and you will have no right to receive any greater payment regardless of the circumstances.

The payment due upon a liquidation is fixed at the redemption preference of \$25.00 per share plus accumulated and unpaid dividends to the date of liquidation. If, in the case of our liquidation, there are remaining assets to be distributed after payment of this amount, you will have no right to receive or to participate in these amounts. Furthermore, if the market price for your Series B Preferred Shares is greater than the liquidation preference, you will have no right to receive the market price from us upon our liquidation.

Item 4. Information on the Company

A. History and development of the Company

Diana Shipping Inc. is a holding company incorporated under the laws of Liberia in March 1999 as Diana Shipping Investments Corp. In February 2005, the Company's articles of incorporation were amended. Under the amended and restated articles of incorporation, the Company was renamed Diana Shipping Inc. and was re-domiciled from the Republic of Liberia to the Republic of the Marshall Islands. Our executive offices are located at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at this address is +30-210-947-0100. Our agent and authorized representative in the United States is our wholly-owned subsidiary, Bulk Carriers (USA) LLC, established in September 2006, in the State of Delaware, which is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is <http://www.sec.gov>. The address of the Company's Internet site is <http://www.dianashippinginc.com>.

Business Development and Capital Expenditures and Divestitures

In January 2017, we took delivery of two Newcastlemax dry bulk vessels, Hull H2548, named *San Francisco*, and Hull H2549, named *Newport News*, which were under construction at China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd. for a contract price of \$47.7 million each.

In April 2017, we issued a total 20,125,000 common shares, at a price of \$4.00 per share, in a public offering. As part of the offering, entities affiliated with Simeon Palios, our Chief Executive Officer and Chairman, executive officers and certain directors, purchased an aggregate of 5,500,000 common shares at the public offering price. The net proceeds from the offering after deducting underwriting discounts and other offering expenses were approximately \$77.3 million. Substantially all of the net proceeds of the offering were used to fund the acquisition costs of the three dry bulk vessels delivered to us in May 2017 described below.

In April 2017, we acquired from unaffiliated third party sellers two 2013-built Post-Panamax vessels, the *Electra* and the *Phaidra*, for a purchase price of \$22.25 million per vessel and a 2013-built Kamsarmax dry bulk carrier, the *Astarte*, for a purchase price of \$22.75 million. All three vessels were delivered in May 2017.

In May 2017, we acquired 100 shares of newly-designated Series C Preferred Stock, par value \$0.01 per share, of Performance Shipping, in exchange for a reduction of \$3.0 million in the principal amount of our loan to Performance Shipping, dated May 20, 2013, as amended. The Series C Preferred Stock has no dividend or liquidation rights. The Series C Preferred Stock votes with the common shares of Performance Shipping and each share of the Series C Preferred Stock entitles the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates does not exceed 49.0%, on all matters submitted to a vote of the stockholders of Performance Shipping. The acquisition of shares of Series C Preferred Stock was approved by an Independent Committee of our Board of Directors.

In June 2017, we refinanced our unsecured loan facility with Performance Shipping with a new secured loan facility of \$82.6 million, which included the \$42.4 million outstanding principal balance as of June 30, 2017, increased by the flat fee of \$0.2 million payable at maturity, plus an additional loan amount to Performance Shipping of \$40.0 million. The loan also had an additional \$5.0 million interest-bearing discount premium, bore interest at the rate of 6% per annum for the first twelve months of the loan, scaled to 9% for the next three months, and further scaled to 12% for the remaining three months of the loan. The loan was fully repaid by Performance Shipping in July 2018.

In July 2017, the *Melite* ran aground at Pulau Laut, Indonesia, following which, the vessel was considered a constructive total loss. In October 2017, the vessel was sold to an unrelated third party for demolition, on an "as is where is" basis, for approximately \$2.5 million, before commissions. As a result of this sale, the outstanding balance of the loan assigned to the vessel amounting to \$5.8 million was also prepaid. On November 14, 2017, the Company also received the balance of the insured value (net of the price sold and commissions), amounting to \$11.5 million.

In July 2018, the Company signed a term loan facility with BNP Paribas (“BNP”) for up to \$75 million with maturity date on July 16, 2023, secured by the vessels *Alcmene*, *Seattle*, *Electra*, *Phaidra*, *Astarte*, *G.P. Zafirakis* and *P.S. Palios*. The proceeds from the loan facility together with available cash were used to voluntarily prepay in full the balance of \$130 million of the existing credit facility with BNP dated June 22, 2015 which had maturity date on July 24, 2020. The new loan facility has resulted in the release of mortgages on 17 of the Company’s vessels as of that date.

In September 2018, the Company issued \$100 million of senior unsecured bond maturing in September 2023 and callable beginning three years after issuance, or the Bond. In addition, the Company may issue up to an additional \$25 million of the Bond on one or more occasions. The Bond offering was priced with a U.S. dollar fixed-rate coupon of 9.50%. Interest will be payable semi-annually in arrears in March and September of each year, commencing in March 2019. Since December 4, 2018, the Bond is listed on the Oslo Stock Exchange under the ticker symbol “DIASH01”.

In September 2018, using part of the proceeds from the Bond, the Company exercised its option to redeem all of its outstanding 8.50% Senior Notes due 2020 (NYSE: DSXN), or the Notes, of which an aggregate principal amount of approximately \$63.25 million was outstanding. The redemption date was October 29, 2018 and the redemption price was 100% of the principal amount of the Notes, or \$25.00 per Note, plus accrued and unpaid interest to, but excluding, the date of redemption. Following the redemption, the Notes were delisted from the New York Stock Exchange.

In November 2018, the Company, through, separate wholly-owned subsidiaries, entered into two Memoranda of Agreement to sell to an unaffiliated third party, the 2001-built vessel Triton for a sale price of \$7.35 million before commissions and the 2001-built vessel Alcyon, for a sale price of \$7.45 million before commissions. Both vessels were delivered to their new owners in December 2018.

In December 2018, the Company completed a tender offer to purchase 4,166,666 shares, or about 3.86%, of its outstanding common stock using funds available from cash and cash equivalents at a price of \$3.60 per share, or \$15 million, in the aggregate.

In January 2019, the Company issued 10,675 shares of its newly-designated Series C Preferred Stock, par value \$0.01 per share, to an affiliate of its Chairman and Chief Executive Officer, Mr. Simeon Palios, for an aggregate purchase price of approximately \$1.07 million. The Series C Preferred Stock will vote with the common shares of the Company, and each share entitles the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Company. The Series C Preferred Stock has no dividend or liquidation rights and cannot be transferred without the consent of the Company except to the holder’s affiliates and immediate family members. The issuance of shares of Series C Preferred Stock was approved by an independent committee of the Board of Directors, which received a fairness opinion from an independent third party that the transaction was fair from a financial point of view to the issuer.

In February 2019, the Company signed, through two separate wholly-owned subsidiaries, two Memoranda of Agreement to sell to two affiliated parties, the vessels *Danae* and *Dione*, each a 2001-built dry bulk vessel for \$7.2 million each. The sale of the vessels was approved by disinterested directors of the Company and the vessels were sold at a price equal to the higher of two independent broker valuations. Both vessels were delivered to their new buyers in April, 2019.

In March 2019, the Company purchased in a tender offer 3,889,386 shares of its outstanding common, par value of \$0.01 per share, at a price of \$2.80 per share, net to the seller, in cash, less any applicable withholding taxes and without interest, for an aggregate purchase price of \$10.9 million.

In March 2019, the Company, through two wholly owned subsidiaries, entered into a \$19.0 million loan agreement with DNB Bank ASA, for working capital. The loan will be available until March 20, 2019 and will be repayable by March 20, 2024.

In April 2019, the Company signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to sell to an unaffiliated third party, the 2004-built vessel *Erato*, for a sale price of \$7.0 million before commissions. The vessel was delivered to the buyer in June 2019.

In May 2019, the Company purchased in a tender offer 3,125,000 shares of its common stock, par value of \$0.01 per share at a price of \$3.40 per share, net to the seller in cash, less any applicable withholding taxes and without interest, for an aggregate purchase price of \$10.6 million.

In June 2019, the Company signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to sell to an unaffiliated third party, the 2004-built vessel *Thetis*, for a sale price of \$6.4 million before commissions. The vessel was delivered to the buyer in July 2019.

In June 2019, the Company, through two wholly-owned subsidiaries entered into a term loan agreement with ABN AMRO Bank N.V. for a loan of \$25.0 million, to refinance the vessels *Selina*, *Ismene* and *Houston*. The loan is payable in 20 consecutive quarterly installments of \$0.8 million each and a balloon installment of \$9 million payable together with the last installment June 28, 2024. The loan bears interest at LIBOR plus a margin of 2.25%.

In July 2019, the Company purchased in a tender offer 2,000,000 shares of its common stock, par value of \$0.01 per share, at a price of \$3.75 per share, net to the seller in cash, less any applicable withholding taxes and without interest, for an aggregate purchase price of \$7.5 million.

In July 2019, the Company signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to sell to an unaffiliated third party, the 2001-built vessel *Nirefs*, for a sale price of \$6.71 million before commissions. The vessel was delivered to her new owners in September 2019.

In October 2019, the Company purchased in a tender offer 2,816,900 shares of its common stock, par value of \$0.01 per share, at a price of \$3.75 per share, net to the seller in cash, less any applicable withholding taxes and without interest, for an aggregate purchase price of \$10.0 million.

In November 2019, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Clio*, for a sale price of \$7.4 million before commissions. The vessel was delivered to her new owners in November 2019.

In December 2019, the Company purchased in a tender offer 2,739,726 shares of its common stock, par value of \$0.01 per share, at a price of \$3.65 per share, net to the seller in cash, less any applicable withholding taxes and without interest, for an aggregate purchase price of \$10.0 million.

In December 2019, the Company signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to sell to an unaffiliated third party, the 2005-built vessel *Calipso*, with delivery to the buyer latest by January 30, 2020, for a sale price of \$7.275 million before commissions. In February 2020, the buyers elected to exercise their right to cancel the Contract as a result of vessel's missing the cancelling date stipulated therein, due to unforeseen events, unrelated to the condition of the vessel. As of the date of this report, the Company does not have an active plan to sell the vessel.

In January 2020, the Company signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to sell to an unaffiliated third party, the 2002-built vessel *Norfolk*, with delivery to the buyer latest by January 30, 2020, for a sale price of \$9.35 million before commissions. In February 2020, the buyers elected to exercise their right to cancel the contract as a result of vessel's missing the cancelling date stipulated therein, due to unforeseen events, unrelated to the condition of the vessel. In February 2020, the Company signed another Memorandum of Agreement to sell the vessel to an unaffiliated third party, with delivery to the buyer latest by April 6, 2020, for a sale price of \$8.75 million before commissions.

In February 2020, the Company purchased in a tender offer 3,030,303 shares of its common stock, par value of \$0.01 per share at a price of \$3.30 per share, net to the seller in cash, less any applicable withholding taxes and without interest, for an aggregate purchase price of 10.0 million.

In February 2020, the Company received an offer from Performance Shipping to redeem the Series C Preferred Stock owned by the Company for an aggregate price of \$1.5 million. The Company's Board of Directors formed a special committee to evaluate the transaction with the assistance of an independent financial advisor. The transaction was recommended by the special committee to the Board of Directors, which resolved to accept the offer. Performance Shipping acquired the shares for \$1.5 million, as agreed, and the sale closed on March 27, 2020 with the receipt of the related funds by Performance Shipping.

In March 2020, the Company purchased through its share repurchase program 1,088,034 shares of its common stock, par value of \$0.01 per share at an average price of \$1.72 per share, or \$1.9 million.

Please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources" for a discussion of our loan facilities.

B. Business overview

We are a global provider of shipping transportation services. We specialize in the ownership of dry bulk vessels. Each of our vessels is owned through a separate wholly-owned subsidiary.

As of December 31, 2019, our operating fleet consisted of 41 dry bulk carriers, of which 14 were Panamax, five were Kamsarmax, five were Post-Panamax, 13 were Capesize and four were Newcastlemax vessels, having a combined carrying capacity of approximately 5.1 million dwt and a weighted average age of 9.5 years and 9.5 years, respectively. As of the date of this report, we sold the vessel *Norfolk*, delivered to the new owners in March 2020. Additionally, the vessel *Calipso*, which we agreed to sell in December 2019, was withdrawn from the market after the cancellation of the agreement by the buyer.

As of December 31, 2018, our operating fleet consisted of 48 dry bulk carriers, of which 20 were Panamax, five were Kamsarmax, five were Post-Panamax, 14 were Capesize and four were Newcastlemax vessels, having a combined carrying capacity of approximately 5.7 million dwt and a weighted average age of 9.1 years.

As of December 31, 2017, our fleet consisted of 50 vessels of which 22 were Panamax, five were Kamsarmax, five were Post-Panamax, 14 were Capesize and four were Newcastlemax vessels, having a combined carrying capacity of approximately 5.8 million dwt, and a weighted average age of 8.4 years.

During 2019, 2018 and 2017, we had a fleet utilization of 98.6%, 99.1% and 98.2%, respectively, our vessels achieved daily time charter equivalent rates of \$12,796, \$12,179 and \$8,568, respectively, and we generated revenues of \$220.7 million, \$226.2 million and \$161.9 million, respectively.

The following table presents certain information concerning the dry bulk carriers in our fleet, as of March 30, 2020.

Vessel		Sister Ships*	Gross Rate (USD Per Day)	Com**	Charterers	Delivery Date to Charterers***	Redelivery Date to Owners****	Notes
BUILT	DWT							
14 Panamax Bulk Carriers								
1	OCEANIS		\$10,350	5.00%	Ausca Shipping Limited, Hong Kong	16-Nov-18	9-Jan-20	1
	2001 75,211		\$9,200	5.00%	Phaethon International Company AG	9-Jan-20	9-Jan-21 - 24-Mar-21	
2	PROTEFS	A	\$9,900	5.00%	Phaethon International Company AG	30-Nov-19	1-Jan-21 - 31-Mar-21	
	2004 73,630							
3	CALIPSO	A	\$15,400	5.00%	Crystal Sea Shipping Co., Limited	1-Nov-19	2-Mar-20	2
	2005 73,691							
4	NAIAS	A	\$10,000	5.00%	Phaethon International Company AG	26-Jan-19	26-Dec-20 - 10-Apr-21	
	2006 73,546							
5	ARETHUSA	A	\$9,150	5.00%	Ausca Shipping Limited, Hong Kong	2-May-19	2-May-20 - 2-Aug-20	
	2007 73,593							
6	CORONIS		\$5,300	5.00%	Tongli Shipping Pte. Ltd.	3-Jan-20	5-Feb-20	3
			\$8,000	5.00%	Koch Shipping Pte. Ltd., Singapore	20-Feb-20	5-Nov-20 - 4-Jan-21	
	2006 74,381							
7	MELIA		\$10,750	5.00%	Cargill International S.A., Geneva	13-Feb-20	20-Apr-20	4,5
	2005 76,225							

8	ARTEMIS 2006 76,942		\$10,150	5.00%	Koch Shipping Pte. Ltd., Singapore	28-Nov-19	13-Aug-20 - 28-Oct-20	
9	LETO 2010 81,297		\$13,000	5.00%	Uniper Global Commodities SE, Düsseldorf	31-May-19	1-May-20 - 1-Jul-20	6
10	SELINA 2010 75,700	B	\$11,750 \$6,500 \$4,750	5.00% 5.00% 4.75%	Ausca Shipping Limited, Hong Kong Daelim Corporation Cargill International S.A., Geneva	15-Jul-19 26-Feb-20 27-Mar-20	15-Feb-20 21-Mar-20 11-May-20 - 21-May-20	7 8
11	MAERA 2013 75,403	B	\$9,450	5.00%	Glencore Agriculture B.V., Rotterdam	27-Mar-19	10-Apr-20 - 10-Jul-20	
12	ISMENE 2013 77,901		\$12,125 \$10,800	5.00% 5.00%	Koch Shipping Pte. Ltd., Singapore Phaethon International Company AG	12-Dec-18 10-Jan-20	10-Jan-20 10-Feb-21 - 25-Apr-21	
13	CRYSTALIA 2014 77,525	C	\$10,500	5.00%	Glencore Agriculture B.V., Rotterdam	2-Mar-19	2-May-20 - 2-Aug-20	
14	ATALANDI 2014 77,529	C	\$12,250	5.00%	Uniper Global Commodities SE, Düsseldorf	9-Jul-19	9-Jun-20 - 24-Aug-20	
5 Kamsarmax Bulk Carriers								
15	MAIA 2009 82,193	D	\$13,300 \$11,200	5.00% 5.00%	Glencore Agriculture B.V., Rotterdam Aquavita International S.A.	12-Nov-18 31-Jan-20	31-Jan-20 31-Mar-21 - 15-Jun-21	
16	MYRSINI 2010 82,117	D	\$11,500	5.00%	Ausca Shipping Limited, Hong Kong	4-Dec-19	4-Jan-21 - 19-Mar-21	9
17	MEDUSA 2010 82,194	D	\$11,000	4.75%	Cargill International S.A., Geneva	16-Nov-19	1-Oct-20 - 16-Dec-20	
18	MYRTO 2013 82,131	D	\$14,000	4.75%	Cargill International S.A., Geneva	18-Jul-19	3-Apr-20 - 18-Jun-20	
19	ASTARTE 2013 81,513		\$14,250 \$11,750	5.00% 5.00%	Glencore Agriculture B.V., Rotterdam Aquavita International S.A.	16-Oct-18 18-Jan-20	18-Jan-20 18-Mar-21 - 2-Jun-21	

5 Post-Panamax Bulk Carriers

20	ALCMENE 2010 93,193		\$9,500	5.00%	Oriental Bulk Shipping PTE. LTD	16-Nov-19	10-Jan-20	10,11
21	AMPHITRITE 2012 98,697	E	\$12,750	5.00%	Uniper Global Commodities SE, Düsseldorf	27-Jan-19	21-Mar-20	
			\$10,250	5.00%	SwissMarine Pte. Ltd., Singapore	21-Mar-20	6-Apr-21 - 21-Jun-21	
22	POLYMNIA 2012 98,704	E	\$11,000	4.75%	Cargill International S.A., Geneva	15-Nov-19	15-Oct-20 - 30-Dec-20	
23	ELECTRA 2013 87,150	F	\$10,250	5.00%	Oldendorff Carriers GMBH & Co. KG, Lübeck	21-Nov-19	21-Oct-20 - 21-Dec-20	
24	PHAIDRA 2013 87,146	F	\$10,800	5.00%	Uniper Global Commodities SE, Düsseldorf	11-Apr-19	27-May-20 - 26-Aug-20	
13 Capesize Bulk Carriers								
-	NORFOLK 2002 164,218		\$17,750	5.00%	Koch Shipping Pte. Ltd., Singapore	2-Nov-19	20-Feb-20	12
25	ALIKI 2005 180,235		\$18,000	5.00%	SwissMarine Services S.A., Geneva	9-Apr-18	23-Jan-20	2
26	BALTIMORE 2005 177,243		\$15,000	5.00%	Koch Shipping Pte. Ltd., Singapore	19-May-19	4-Dec-20 - 3-Apr-21	13
27	SALT LAKE CITY 2005 171,810		\$9,750	4.75%	Cargill International S.A., Geneva	24-Mar-19	24-Nov-20 - 24-Feb-21	
28	SIDERIS GS 2006 174,186	G	\$15,350	5.00%	Berge Bulk Shipping Pte. Ltd., Singapore	15-Dec-18	7-Mar-20	
			\$12,700	5.00%	Oldendorff Carriers GMBH & Co. KG, Lübeck, Germany	7-Mar-20	15-Oct-20 - 31-Dec-20	
29	SEMIRIO 2007 174,261	G	\$16,000	4.75%	Cargill International S.A., Geneva	30-Jun-19	30-Sep-20 - 30-Dec-20	
30	BOSTON 2007 177,828	G	\$15,300	5.00%	Oldendorff Carriers GMBH & Co. KG, Lübeck, Germany	7-Jun-19	1-Apr-21 - 30-Jun-21	
31	HOUSTON 2009 177,729	G	\$10,125	5.00%	Koch Shipping Pte. Ltd., Singapore	17-Feb-19	17-Apr-20 - 10-Jul-20	14
32	NEW YORK 2010 177,773	G	\$15,500	5.00%	Singapore Marine Pte. LTD., Singapore	7-Jun-19	7-Nov-20 - 22-Jan-21	9

33 SEATTLE 2011 179,362	H	\$16,000	5.00%	SwissMarine Services S.A., Geneva	24-Dec-18	24-Apr-20 - 30-Jun-20	14
34 P. S. PALIOS 2013 179,134	H	\$17,500 \$6,000 \$12,050	5.00% 5.00% 5.00%	SwissMarine Services S.A., Geneva C Transport Maritime Ltd., Bermuda	5-Jun-19 24-Mar-20 28-Apr-20	24-Mar-20 28-Apr-20 9-Apr-21 - 24-Jun-21	
35 G. P. ZAFIRAKIS 2014 179,492	I	\$17,000	5.00%	SwissMarine Services S.A., Geneva	31-Dec-18	31-May-20 - 31-Aug-20	
36 SANTA BARBARA 2015 179,426	I	\$17,250	5.00%	Pacbulk Shipping Pte. Ltd., Singapore	28-Dec-19	28-Dec-20 - 28-Feb-21	
37 NEW ORLEANS 2015 180,960		\$15,000	4.75%	Cargill International S.A., Geneva	10-Apr-19	26-Jul-20 - 25-Nov-20	
4 Newcastlemax Bulk Carriers							
38 LOS ANGELES 2012 206,104	J	\$13,250	5.00%	SwissMarine Services S.A., Geneva	6-Mar-19	6-Jun-20 - 6-Sep-20	
39 PHILADELPHIA 2012 206,040	J	\$20,000 \$14,500	5.00% 5.00%	Koch Shipping Pte. Ltd., Singapore BHP Billiton Freight Singapore Pte. Ltd	18-Jun-18 5-Feb-20	3-Feb-20 5-Apr-21 - 5-Jul-21	
40 SAN FRANCISCO 2017 208,006	K	\$16,000	5.00%	Koch Shipping Pte. Ltd., Singapore	5-Mar-19	5-Oct-20 - 20-Jan-21	
41 NEWPORT NEWS 2017 208,021	K	\$16,500	5.00%	SwissMarine Services S.A., Geneva	25-Feb-19	25-Jun-20 - 25-Sep-20	

* Each dry bulk carrier is a "sister ship", or closely similar, to other dry bulk carriers that have the same letter.

** Total commission percentage paid to third parties.

*** In case of newly acquired vessel with time charter attached, this date refers to the expected/actual date of delivery of the vessel to the Company.

**** Range of redelivery dates, with the actual date of redelivery being at the Charterers' option, but subject to the terms, conditions, and exceptions of the particular charterparty.

1 Vessel off hire for drydocking from May 27, 2019 to July 4, 2019.

2 Currently without an active charterparty. Vessel on scheduled drydocking.

3 Charter included a one time gross ballast bonus payment of US\$56,000.

4 Charter includes a one time gross ballast bonus payment of US\$107,500.

5 Redelivery date based on an estimated time charter trip duration of about 67 days.

6 Vessel off hire for drydocking from December 16, 2019 to February 10, 2020.

7 Ausca Shipping Limited has agreed to compensate the owners for the early redelivery of the vessel until the minimum agreed redelivery date, February 15, 2020.

8 Redelivery date based on an estimated time charter trip duration of about 45-55 days.

9 Vessel currently off hire for drydocking.

10 Currently without an active charterparty.

11 Vessel on scheduled drydocking from January 10, 2020 to March 19, 2020.

12 'Norfolk' sold and delivered to her new Owners on March 11, 2020.

13 Vessel off hire for drydocking for about 40.8 days.

14 Based on latest information.

Management of Our Fleet

The business of Diana Shipping Inc. is the ownership of dry bulk vessels. The parent holding company wholly owns the subsidiaries which own the vessels that comprise our fleet. The holding company sets general overall direction for the company and interfaces with various financial markets. The commercial and technical management of our fleet, as well as the provision of administrative services relating to the fleet's operations, are carried out by our wholly-owned subsidiary, Diana Shipping Services S.A., which we refer to as DSS, and Diana Wilhelmsen Management Limited, a 50/50 joint venture with Wilhelmsen Ship Management, which we refer to as DWM. In exchange for providing us with commercial and technical services, personnel and office space, we pay DSS a commission, which is a percentage of the managed vessels' gross revenues, a fixed monthly fee per managed vessel and an additional monthly fee for the administrative services provided to Diana Shipping Inc. Such services may include budgeting, reporting, monitoring of bank accounts, compliance with banks, payroll services and any other possible service that Diana Shipping Inc. would require to perform its operations. Similarly, in exchange for providing us with commercial and technical services, we pay DWM a commission which is a percentage of the managed vessels' gross revenues and a fixed management monthly fee for each managed vessel. The amounts deriving from the agreements with DSS are considered inter-company transactions and, therefore, are eliminated from our consolidated financial statements. The management fees deriving from the agreements with DWM are included in our statement of operations as "Management fees to related party", whereas commercial fees are included in "Voyage expenses". Since October 2019, management fees and commercial fees are included in "Management fees to related party", since the management of the vessels was assigned to DWM from DSS.

Since June 1, 2010, Steamship Shipbroking Enterprises Inc., or Steamship, a related party controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides brokerage services to us. Brokerage fees are included in "General and Administrative expenses" in our statement of operations. The terms of this relationship are currently governed by a Brokerage Services Agreement dated November 21, 2018, as amended on April 1, 2019.

Our Customers

Our customers include regional and international companies, such as Cargill International S.A., Glencore Grain B.V., Koch Shipping Pte Ltd and Swissmarine Services S.A. During 2019, four of our charterers accounted for 60% of our revenues: Swissmarine (18%), Koch (14%) and Cargill (16%). During 2018, four of our charterers accounted for 55% of our revenues: Swissmarine (16%), Koch (15%), Cargill (14%) and Glencore (10%). During 2017, three of our charterers accounted for 43% of our revenues: Swissmarine (14%), Koch (17%) and Cargill (12%).

We charter our dry bulk carriers to customers pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. In 2019, we paid commissions that ranged from 3.75% to 5.0% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter.

We strategically monitor developments in the dry bulk shipping industry on a regular basis and, subject to market demand, seek to adjust the charter hire periods for our vessels according to prevailing market conditions. In order to take advantage of relatively stable cash flow and high utilization rates, we fix some of our vessels on long-term time charters. Currently, the majority of our vessels are employed on short to medium-term time charters, which provides us with flexibility in responding to market developments. We continuously evaluate our balance of short- and long-term charters and extend or reduce the charter hire periods of the vessels in our fleet according to the developments in the dry bulk shipping industry.

The Dry Bulk Shipping Industry

The global dry bulk carrier fleet could be divided into seven categories based on a vessel's carrying capacity. These categories consist of:

- **Very Large Ore Carriers.** Very large ore carriers, or VLOCs, have a carrying capacity of more than 200,000 dwt and are a comparatively new sector of the dry bulk carrier fleet. VLOCs are built to exploit economies of scale on long-haul iron ore routes.
- **Capesize.** Capesize vessels have a carrying capacity of 110,000-199,999 dwt. Only the largest ports around the world possess the infrastructure to accommodate vessels of this size. Capesize vessels are primarily used to transport iron ore or coal and, to a much lesser extent, grains, primarily on long-haul routes.

- **Post-Panamax.** Post-Panamax vessels have a carrying capacity of 80,000-109,999 dwt. These vessels tend to have a shallower draft and larger beam than a standard Panamax vessel with a higher cargo capacity. These vessels have been designed specifically for loading high cubic cargoes from draught restricted ports, although they cannot transit the Panama Canal.
- **Panamax.** Panamax vessels have a carrying capacity of 60,000-79,999 dwt. These vessels carry coal, iron ore, grains, and, to a lesser extent, minor bulks, including steel products, cement and fertilizers. Panamax vessels are able to pass through the Panama Canal, making them more versatile than larger vessels with regard to accessing different trade routes. Most Panamax and Post-Panamax vessels are “gearless,” and therefore must be served by shore-based cargo handling equipment. However, there are a small number of geared vessels with onboard cranes, a feature that enhances trading flexibility and enables operation in ports which have poor infrastructure in terms of loading and unloading facilities.
- **Handymax/Supramax.** Handymax vessels have a carrying capacity of 40,000-59,999 dwt. These vessels operate in a large number of geographically dispersed global trade routes, carrying primarily grains and minor bulks. Within the Handymax category there is also a sub-sector known as Supramax. Supramax bulk carriers are ships between 50,000 to 59,999 dwt, normally offering cargo loading and unloading flexibility with on-board cranes, or “gear,” while at the same time possessing the cargo carrying capability approaching conventional Panamax bulk carriers.
- **Handysize.** Handysize vessels have a carrying capacity of up to 39,999 dwt. These vessels are primarily involved in carrying minor bulk cargoes. Increasingly, ships of this type operate within regional trading routes, and may serve as trans-shipment feeders for larger vessels. Handysize vessels are well suited for small ports with length and draft restrictions. Their cargo gear enables them to service ports lacking the infrastructure for cargo loading and unloading.

Other size categories occur in regional trade, such as Kamsarmax, with a maximum length of 229 meters, the maximum length that can load in the port of Kamsar in the Republic of Guinea. Other terms such as Seawaymax, Setouchmax, Dunkirkmax, and Newcastlemax also appear in regional trade.

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The average age at which a vessel is scrapped was 29 years in 2019, 28 years in 2018 and 25 years in 2017.

The demand for dry bulk carrier capacity is determined by the underlying demand for commodities transported in dry bulk carriers, which in turn is influenced by trends in the global economy. Demand for dry bulk carrier capacity is also affected by the operating efficiency of the global fleet, along with port congestion, which has been a feature of the market since 2004, absorbing tonnage and therefore leading to a tighter balance between supply and demand. In evaluating demand factors for dry bulk carrier capacity, the Company believes that dry bulk carriers can be the most versatile element of the global shipping fleets in terms of employment alternatives.

Charter Hire Rates

Charter hire rates fluctuate by varying degrees among dry bulk carrier size categories. The volume and pattern of trade in a small number of commodities (major bulks) affect demand for larger vessels. Therefore, charter rates and vessel values of larger vessels often show greater volatility. Conversely, trade in a greater number of commodities (minor bulks) drives demand for smaller dry bulk carriers. Accordingly, charter rates and vessel values for those vessels are usually subject to less volatility.

Charter hire rates paid for dry bulk carriers are primarily a function of the underlying balance between vessel supply and demand, although at times other factors may play a role. Furthermore, the pattern seen in charter rates is broadly mirrored across the different charter types and the different dry bulk carrier categories. In the time charter market, rates vary depending on the length of the charter period and vessel-specific factors such as age, speed and fuel consumption.

In the voyage charter market, rates are, among other things, influenced by cargo size, commodity, port dues and canal transit fees, as well as commencement and termination regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region with ports where vessels load cargo also are generally quoted at lower rates, because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Within the dry bulk shipping industry, the charter hire rate references most likely to be monitored are the freight rate indices issued by the Baltic Exchange. These references are based on actual charter hire rates under charters entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers. The Baltic Panamax Index is the index with the longest history. The Baltic Capesize Index and Baltic Handymax Index are of more recent origin.

The Baltic Dry Index, or BDI, a daily average of charter rates in 20 shipping routes measured on a time charter and voyage basis and covering Capesize, Panamax, Supramax, and Handysize dry bulk carriers declined from a high of 11,793 in May 2008 to a low of 663 in December 2008. In 2017, the BDI ranged from a low of 685 in February to a high of 1,743 in December. In 2018, the BDI ranged from a low of 948 in April to a high of 1,774 in July. In 2019 BDI ranged from a low of 595 in February to a high of 2,518 in September.

Vessel Prices

Dry bulk vessel values in 2019 generally were lower as compared to 2018. Consistent with these trends were the market values of our dry bulk carriers. As charter rates and vessel values remain at relatively low levels, there can be no assurance as to how long charter rates and vessel values will remain at their current levels or whether they will decrease or improve to any significant degree in the near future.

Competition

Our business fluctuates in line with the main patterns of trade of the major dry bulk cargoes and varies according to changes in the supply and demand for these items. We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an owner and operator. We compete with other owners of dry bulk carriers in the Panamax, Post-Panamax and smaller class sectors and with owners of Capesize and Newcastlemax dry bulk carriers. Ownership of dry bulk carriers is highly fragmented.

We believe that we possess a number of strengths that provide us with a competitive advantage in the dry bulk shipping industry:

- *We own a modern, high quality fleet of dry bulk carriers.* We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing favorable time charters. We maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea, and adopting a comprehensive maintenance program for each vessel.
- *Our fleet includes groups of sister ships.* We believe that maintaining a fleet that includes sister ships enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. The uniform nature of sister ships also improves our operating efficiency by allowing our fleet manager to apply the technical knowledge of one vessel to all vessels of the same series and creates economies of scale that enable us to realize cost savings when maintaining, supplying and crewing our vessels.
- *We have an experienced management team.* Our management team consists of experienced executives who have, on average, more than 30 years of operating experience in the shipping industry and has demonstrated ability in managing the commercial, technical and financial areas of our business. Our management team is led by Mr. Simeon Palios, a qualified naval architect and engineer who has more than 40 years of experience in the shipping industry.
- We benefit from the experience and reputation of Diana Shipping Services S.A. and the relationship with Wilhelmsen Ship Management through the Diana Wilhelmsen Management Limited joint venture.
- *We benefit from strong relationships with members of the shipping and financial industries.* We have developed strong relationships with major international charterers, shipbuilders and financial institutions that we believe are the result of the quality of our operations, the strength of our management team and our reputation for dependability.
- *We have a strong balance sheet and a relatively low level of indebtedness.* We believe that our strong balance sheet and relatively low level of indebtedness provide us with the flexibility to increase the amount of funds that we may draw under our loan facilities in connection with any future acquisitions or otherwise and enable us to use cash flow that would otherwise be dedicated to debt service for other purposes.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates the nationality of the vessel's crew and the age of a vessel. We have been able to obtain all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syrian Human Rights Act

Section 219 of the U.S. Iran Threat Reduction and Syria Human Rights Act of 2012, or the ITRA, added new Section 13(r) to the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, requiring each SEC reporting issuer to disclose in its annual and, if applicable, quarterly reports whether it or any of its affiliates have knowingly engaged in certain activities, transactions or dealings relating to Iran or with the Government of Iran or certain designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the report.

Pursuant to Section 13(r) of the Exchange Act, we note that none of our vessels made port calls to Iran in 2019 and to the date of this report.

Environmental and Other Regulations in the Shipping Industry

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard ("USCG"), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

International Maritime Organization

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates prevention of pollution by oil; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997; new emissions standards, titled IMO-2020, took effect on January 1, 2020.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits “deliberate emissions” of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of “volatile organic compounds” from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or “PCBs”) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The Marine Environment Protection Committee, or “MEPC”, adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Ships are required to obtain bunker delivery notes and International Air Pollution Prevention (“IAPP”) Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships were adopted and took effect March 1, 2020. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

Sulfur content standards are even stricter within certain “Emission Control Areas,” or (“ECAs”). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1% m/m. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. Other areas in China are subject to local regulations that impose stricter emission controls. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency (“EPA”) or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built on or after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in 2010. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection having commenced on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement a Ship Energy Efficiency Management Plan (“SEEMP”), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index (“EEDI”). Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Safety Management System Requirements

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the "LLMC") sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that our vessels are in substantial compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code"), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained applicable documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificate are renewed as required.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers ("GBS Standards").

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements. Amendments which took effect on January 1, 2020 also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO type 9 tank, (2) new abbreviations for segregation groups, and (3) special provisions for carriage of lithium batteries and of vehicles powered by flammable liquid or gas.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

The IMO's Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the "Polar Code"). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is hard to predict at this time.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, (the "BWM Convention"), in 2004. The BWM Convention entered into force on September 8, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention ("IOPP") renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the ballast water, must be approved in accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72's amendments to the BWM Convention took effect, making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard. Under these amendments, all ships must meet the D-2 standard by September 8, 2024. Costs of compliance with these regulations may be substantial.

Ships calling at U.S. ports and intending to discharge ballast will be required to use an approved ballast water treatment system that meets the U.S. discharge standard. All ships delivered on or after 1st December 2013 are required to have an approved Ballast Water Management Systems. Existing vessels with ballast water capacity over 5000m³, constructed before the 1st of December 2013, are required to installed an approved system during their first schedule drydocking after 1st of January 2016.

Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "Bunker Convention") to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where the Bunker Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the "Anti-fouling Convention." The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

Compliance Enforcement

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

U.S. Regulations

The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990 (“OPA”) established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all “owners and operators” whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.’s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define “owner and operator” in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are “responsible parties” and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

- (i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (ii) injury to, or economic losses resulting from, the destruction of real and personal property;
- (iii) loss of subsistence use of natural resources that are injured, destroyed or lost;
- (iv) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- (v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- (vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 12, 2019, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of \$1,200 per gross ton or \$997,100 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We comply and plan to comply going forward with the USCG's financial responsibility regulations by providing applicable certificates of financial responsibility.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, several of these initiatives and regulations have been or may be revised. For example, the U.S. Bureau of Safety and Environmental Enforcement's ("BSEE") revised Production Safety Systems Rule ("PSSR"), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR. Additionally, the BSEE amended the Well Control Rule, effective July 15, 2019, which rolled back certain reforms regarding the safety of drilling operations, and the U.S. President has proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling. The effects of these proposals and changes are currently unknown. Compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

We currently maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

Other United States Environmental Initiatives

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA requires states to adopt State Implementation Plans, or SIPs, some of which regulate emissions resulting from vessel loading and unloading operations which may affect our vessels.

The U.S. Clean Water Act ("CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" ("WOTUS"), thereby expanding federal authority under the CWA. Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of "waters of the United States." The proposed rule was published in the Federal Register on February 14, 2019 and was subject to public comment. On October 22, 2019, the agencies published a final rule repealing the 2015 Rule defining "waters of the United States" and recodified the regulatory text that existed prior to the 2015 Rule. The final rule became effective on December 23, 2019. On January 23, 2020, the EPA published the "Navigable Waters Protection Rule," which replaces the rule published on October 22, 2019, and redefines "waters of the United States." The effect of this rule is currently.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018 and replaces the 2013 Vessel General Permit ("VGP") program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act ("NISA"), such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under Clean Water Act (CWA), requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance, and enforcement regulations within two years of EPA's promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent ("NOI") or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required. Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in the Baltic, the North Sea and the English Channel (the so called "SOx-Emission Control Area"). As of January 2020, EU member states must also ensure that ships in all EU waters, except the SOx-Emission Control Area, use fuels with a 0.5% maximum sulfur content.

International Labour Organization

The International Labour Organization (the "ILO") is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 ("MLC 2006"). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships that are 500 gross tonnage or over and are either engaged in international voyages or flying the flag of a Member and operating from a port, or between ports, in another country. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement, but on June 1, 2017, the U.S. President announced that the United States intends to withdraw from the Paris Agreement, which provides for a four-year exit process, meaning that the earliest possible effective withdrawal date cannot be before November 4, 2020. The timing and effect of such action has yet to be determined.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies “levels of ambition” to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol’s second period from 2013 to 2020. Starting in January 2018, large ships over 5,000 gross tonnage calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA’s plan to cut greenhouse gas emissions, and in August 2019, the Administration announced plans to weaken regulations for methane emissions. The EPA or individual U.S. states could enact environmental regulations that would affect our operations.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or certain weather events.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 (“MTSA”). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facility Security Code (“the ISPS Code”). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate (“ISSC”) from a recognized security organization approved by the vessel’s flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship’s identity, position, course, speed and navigational status; on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore; the development of vessel security plans; ship identification number to be permanently marked on a vessel’s hull; a continuous synopsis record kept onboard showing a vessel’s history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship’s identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and compliance with flag state security certification requirements.

The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and Arabian Sea area. Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP4 industry standard.

Inspection by Classification Societies

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or "the Rules", which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by all the applicable Classification Societies (e.g., American Bureau of Shipping, Lloyd's Register of Shipping).

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel should have a minimum of two examinations of the outside of a vessel's bottom and related items during each five-year special survey period. One such examination is to be carried out in conjunction with the Special Periodical Survey. In all cases, the interval between any two such examinations is not to exceed 36 months. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity cover and freight, demurrage and defense cover for our operating fleet in amounts that we believe to be prudent to cover normal risks in our operations, we may not be able to achieve or maintain this level of coverage throughout a vessel's useful life. Furthermore, while we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull & Machinery and War Risks Insurance

We maintain marine hull and machinery and war risks insurance, which cover, among other marine risks, the risk of actual or constructive total loss, for all of our vessels. Our vessels are each covered up to at least fair market value with deductibles ranging to a maximum of \$100,000 per vessel per incident for Panamax, Kamsarmax and Post-Panamax vessels and \$150,000 per vessel per incident for Capesize and Newcastlemax vessels.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs."

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. The International Group's website states that the Pool provides a mechanism for sharing all claims in excess of US\$ 10 million up to, currently, approximately US\$ 8.2 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group. Our vessels may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the Board of Directors of the P&I Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to.

C. Organizational structure

Diana Shipping Inc. is the sole owner of all of the issued and outstanding shares of the subsidiaries listed in exhibit 8.1 to this annual report.

D. Property, plants and equipment

Since October 8, 2010, DSS owns the land and the building where we have our principal offices in Athens, Greece and in December 2014, DSS acquired a plot of land jointly with two other related entities from unrelated individuals. Other than this interest in real property, our only material properties are the vessels in our fleet.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following management's discussion and analysis should be read in conjunction with our historical consolidated financial statements and their notes included elsewhere in this annual report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors" and elsewhere in this annual report.

A. Operating results

We charter our vessels to customers pursuant to short-term, medium-term and long-term time charters. Currently, the majority of our vessels are employed on short-term and medium-term time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. However, our voyage results may be affected by differences in bunker prices. We remain responsible for paying the chartered vessels' operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes, environmental and safety expenses, and we also pay commissions to one or more unaffiliated ship brokers, to in-house brokers associated with the charterer for the arrangement of the relevant charter and to DWM.

Factors Affecting Our Results of Operations

We believe that the important measures for analyzing trends in our results of operations consist of the following:

- *Ownership days.* We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.
- *Available days.* We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels for such events. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.
- *Operating days.* We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- *Fleet utilization.* We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning for such events.
- *TCE rates.* We define Time Charter Equivalent, or TCE rates as our time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a non-GAAP measure and is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.

The following table reflects our ownership days, available days, operating days, fleet utilization and TCE rates for the periods indicated.

	Year Ended December 31,		
	2019	2018	2017
Ownership days	16,442	18,204	18,119
Available days	16,192	17,964	17,890
Operating days	15,971	17,799	17,566
Fleet utilization	98.6%	99.1%	98.2%
Time charter equivalent (TCE) rate (1)	\$ 12,796	\$ 12,179	\$ 8,568

(1) Please see "Item 3. Key Information—A. Selected Financial Data" for a reconciliation of TCE to GAAP measures.

Lack of Historical Operating Data for Vessels before Their Acquisition

Although vessels are generally acquired free of charter, we have acquired (and may in the future acquire) some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is usually delivered to the buyer free of charter. It is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer entering into a separate direct agreement (called a "novation agreement") with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter because it is a separate service agreement between the vessel owner and the charterer.

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we record all identified assets or liabilities at fair value. Fair value is determined by reference to market data. We value any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. When the present value of the time charter assumed is greater than the current fair market value of such charter, the difference is recorded as prepaid charter revenue. When the opposite situation occurs, any difference, capped to the vessel's fair value on a charter-free basis, is recorded as deferred revenue. Such assets and liabilities, respectively, are amortized as a reduction of, or an increase in, revenue over the period of the time charter assumed.

When we purchase a vessel and assume or renegotiate a related time charter, among others, we must take the following steps before the vessel will be ready to commence operations:

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- in some cases, obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;
- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

When we charter a vessel pursuant to a long-term time charter agreement with varying rates, we recognize revenue on a straight line basis, equal to the average revenue during the term of the charter.

The following discussion is intended to help you understand how acquisitions of vessels affect our business and results of operations.

Our business is mainly comprised of the following elements:

- employment and operation of our vessels; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of our vessels.

The employment and operation of our vessels mainly require the following components:

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;

- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans (ISPS);
- obtaining of ISM certification and audit for each vessel within the six months of taking over a vessel;
- vessel hiring management;
- vessel surveying; and
- vessel performance monitoring.

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels mainly requires the following components:

- management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts;
- management of our accounting system and records and financial reporting;
- administration of the legal and regulatory requirements affecting our business and assets; and
- management of the relationships with our service providers and customers.

The principal factors that affect our profitability, cash flows and shareholders' return on investment include:

- rates and periods of charter hire;
- levels of vessel operating expenses;
- depreciation expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

Time Charter Revenues

Our revenues are driven primarily by the number of vessels in our fleet, the number of days during which our vessels operate and the amount of daily charter hire rates that our vessels earn under charters, which, in turn, are affected by a number of factors, including:

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;
- the amount of time that our vessels spend in drydock undergoing repairs;
- maintenance and upgrade work;
- the age, condition and specifications of our vessels;
- levels of supply and demand in the dry bulk shipping industry; and
- other factors affecting spot market charter rates for dry bulk carriers.

Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market generate revenues that are less predictable but may enable their owners to capture increased profit margins during periods of improvements in charter rates although their owners would be exposed to the risk of declining charter rates, which may have a materially adverse impact on financial performance. As we employ vessels on period charters, future spot charter rates may be higher or lower than the rates at which we have employed our vessels on period charters. Our time charter agreements subject us to counterparty risk. In depressed market conditions, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts. Should a counterparty fail to honor their obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows. For 2020, we expect our revenues to decrease compared to 2019, due to the decrease in the number of vessels in the fleet and decreased time charter rates observed in the market, as of the date of this report, due to the impact of the COVID-19 outbreak on the demand in the dry-bulk shipping industry.

Voyage Expenses

We incur voyage expenses that mainly include commissions because all of our vessels are employed under time charters that require the charterer to bear voyage expenses such as bunkers (fuel oil), port and canal charges. Although the charterer bears the cost of bunkers, we also have bunker gain or loss deriving from the price differences of bunkers. When a vessel is delivered to a charterer, bunkers are purchased by the charterer and sold back to us on the redelivery of the vessel. Bunker gain, or loss, result when a vessel is redelivered by her charterer and delivered to the next charterer at different bunker prices, or quantities.

We currently pay commissions ranging from 4.75% to 5.00% of the total daily charter hire rate of each charter to unaffiliated ship brokers, in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition, we pay a commission to DWM and to DSS for those vessels for which they provide commercial management services. The commissions paid to DSS are eliminated from our consolidated financial statements as intercompany transactions. For 2020, we expect our voyage expenses to remain at the same levels compared to 2019, or decrease, depending on the change in revenues and the gain, or loss from bunkers.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, environmental plan costs and HSQ and vetting. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet with the exception of 2016 when operating expenses decreased despite the enlargement of our fleet, as a result of our efforts to decrease costs without compromising the quality and seaworthiness of our vessels. For 2020, we expect our operating expenses to decrease compared to 2019 as a result of the sale vessels.

Vessel Depreciation

The cost of our vessels is depreciated on a straight-line basis over the estimated useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated salvage value. We estimate the useful life of our dry bulk vessels to be 25 years from the date of initial delivery from the shipyard, which we believe is common in the dry bulk shipping industry. Furthermore, we estimate the salvage values of our vessels based on historical average prices of the cost of the light-weight ton of vessels being scrapped. Our depreciation charges decreased rapidly in 2018 due to the vessel cost impairment we recorded in 2017 and decreased further in 2019 due to the sale of two vessels in December 2018 and six vessels in 2019. For 2020, we expect depreciation expense to decrease as a result of the sale of vessels in 2019 and one additional vessel sold in 2020, as of the date of this report.

General and Administrative Expenses

We incur general and administrative expenses which include our onshore related expenses such as payroll expenses of employees, executive officers, directors and consultants, compensation cost of restricted stock awarded to senior management and non-executive directors, traveling, promotional and other expenses of the public company, such as legal and professional expenses and other general expenses. For 2020, we expect our general and administrative expenses to remain at the same levels, as they are not affected by the size of the fleet. However, they are affected by the exchange rate of Euro to US Dollars, as about half of the administrative expenses are in Euro.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with vessel-specific debt, since May 2015 until October 2018 in connection with senior unsecured Notes and since September 2018 in connection with our Bond. As at December 31, 2019 our debt amounted to \$478.3 million, including our Bond. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. For 2020, we expect interest and finance expenses to decrease due to decreased average debt and decreased interest rates.

Our Fleet – Illustrative Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels

In “Critical Accounting Policies – Impairment of long-lived assets,” we discuss our policy for impairing the carrying values of our vessels. Historically, the market values of vessels have experienced volatility, which from time to time may be substantial. As a result, the charter-free market value of certain of our vessels may have declined below those vessels’ carrying value, even though we would not impair those vessels’ carrying value under our accounting impairment policy. In 2017, we recorded impairment charges for 20 vessels in our fleet, as our impairment test exercise indicated that their carrying values were not recoverable. Similarly, for 2019 we recorded impairment for three vessels for which the same test indicated that their carrying value would not be recoverable. Additionally, in 2019, we recorded impairment for four additional vessels which met the criteria as held for sale and were measured at the lower of their carrying value and fair value (sale price) less costs to sell.

Based on: (i) the carrying value of each of our vessels as of December 31, 2019 and 2018, consisting of the net book value of the vessels and the unamortized value of deferred dry-dock and special surveys cost and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2019 and 2018, the aggregate carrying value of 31 and 23 of the vessels in our fleet as of December 31, 2019 and 2018, respectively, exceeded their aggregate charter-free market value by approximately \$150 million and \$92 million, respectively, as noted in the table below. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to increase our loss or reduce our net income if we sold all of such vessels at December 31, 2019 and 2018, on a charter-free basis, on industry standard terms, in cash transactions, and to a willing buyer where we were not under any compulsion to sell, and where the buyer was not under any compulsion to buy. For purposes of this calculation, we have assumed that these 31 and 23 vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2019 and 2018, respectively.

Our estimates of charter-free market value assume that our vessels were all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;
- news and industry reports of similar vessel sales;
- news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts and various other shipping industry participants and observers.

As we obtain information from various industry and other sources, our estimates of charter-free market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future charter-free market value of our vessels or prices that we could achieve if we were to sell them. We also refer you to the risk factor in “Item 3. Key Information—D. Risk Factors” entitled “The market values of our vessels have declined and may further decline, which could limit the amount of funds that we can borrow and could trigger breaches of certain financial covenants contained in our current and future loan facilities, which could adversely affect our operating results, and we may incur a loss if we sell vessels following a decline in their market values” and the discussion under the heading “Item 4. Information on the Company—B. Business Overview—Vessel Prices.”

	Vessel	Dwt	Year Built	Carrying Value (in millions of US dollars)	
				2019	2018
1	Almene	93,193	2010	14.2 *	14.8
2	Aliki	180,235	2005	15.3 *	16.2
3	Amphitrite	98,697	2012	18.0	18.8
4	Arethusa	73,593	2007	10.3 *	11.0 *
5	Artemis	76,942	2006	14.2 *	15.2 *
6	Astarte	81,513	2013	20.4 *	21.6 *
7	Atalandi	77,529	2014	18.8	20.0
8	Baltimore	177,243	2005	19.8 *	20.5 *
9	Boston	177,828	2007	18.5 *	19.4
10	Calipso	73,691	2005	7.1	11.0 *
11	Clio ¹	73,691	2005	-	11.2 *
12	Coronis	74,381	2006	9.5 *	10.1
13	Crystalia	77,525	2014	18.5	19.7
14	Danae ¹	75,106	2001	-	9.7 *
15	Dione ¹	75,172	2001	-	9.4 *
16	Electra	87,150	2013	17.1	17.8
17	Erato ¹	74,444	2004	-	9.0
18	G.P. Zafirakis	179,492	2014	47.9 *	49.3 *
19	Houston	177,729	2009	23.3 *	23.1
20	Ismene	77,901	2013	12.5	13.2
21	Leto	81,297	2010	15.8 *	16.6
22	Los Angeles	206,104	2012	43.3 *	45.5 *
23	Maera	75,403	2013	11.9	12.6
24	Maia	82,193	2009	16.3 *	15.7
25	Medusa	82,194	2010	14.7	15.5
26	Melia	76,225	2005	13.0 *	14.0 *
27	Myrsini	82,117	2010	17.2 *	18.1 *
28	Myrto	82,131	2013	20.2 *	21.5 *
29	Naias	73,546	2006	9.7 *	10.3
30	New Orleans	180,960	2015	37.3 *	38.8 *
31	New York	177,773	2010	40.6 *	42.7 *
32	Newport News	208,021	2017	47.0	48.8
33	Nirefs ¹	75,311	2001	-	7.7 *

34	Norfolk ²	164,218	2002	9.4 *	11.4
35	Oceanis	75,211	2001	8.0 *	7.9 *
36	P.S. Palios	179,134	2013	40.6 *	42.7 *
37	Phaidra	87,146	2013	18.1 *	19.2 *
38	Philadelphia	206,040	2012	44.1 *	46.2 *
39	Polymnia	98,704	2012	18.3	19.1
40	Protefs	73,630	2004	9.9 *	10.7 *
41	Salt Lake City	171,810	2005	15.6 *	16.5
42	San Francisco	208,006	2017	47.1 *	48.9
43	Santa Barbara	179,426	2015	42.1 *	43.3 *
44	Seattle	179,362	2011	24.1 *	25.2
45	Selina	75,700	2010	10.2	10.6
46	Semirio	174,261	2007	17.5 *	18.4
47	Sideris GS	174,186	2006	16.5 *	17.4
48	Thetis ¹	73,583	2004	-	9.4 *
	Total	5,686,747		894	996

(1)Sold in 2019

(2)Sold in 2020

*Indicates dry bulk vessels for which we believe, as of December 31, 2019 and 2018, the charter-free market value was lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeded their aggregate charter-free market value by approximately \$150 million and \$92 million, respectively.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application. For a description of all our significant accounting policies, see Note 2 to our consolidated financial statements included in this annual report.

Accounting for Revenues and Expenses

Revenues are generated from time charter agreements which contain a lease as they meet the criteria of a lease under ASC 842. Agreements with the same charterer are accounted for as separate agreements according to their specific terms and conditions. All agreements contain a minimum non-cancellable period and an extension period at the option of the charterer. Each lease term is assessed at the inception of that lease. Under a time charter agreement, the charterer pays a daily hire for the use of the vessel and reimburses the owner for hold cleanings, extra insurance premiums for navigating in restricted areas and damages caused by the charterers. Additionally, the charterer pays to third parties port, canal and bunkers consumed during the term of the time charter agreement. Such costs are considered direct costs and are not recorded as they are directly paid by charterers, unless they are for the account of the owner, in which case they are included in voyage expenses. Additionally, the owner pays commissions on the hire revenue, to both the charterer and to brokers, which are direct costs and are recorded in voyage expenses. Under a time charter agreement, the owner pays for the operation and the maintenance of the vessel, including crew, insurance, spares and repairs, which are recognized in operating expenses. The Company, as lessor, has elected not to allocate the consideration in the agreement to the separate lease and non-lease components (operation and maintenance of the vessel) as their timing and pattern of transfer to the charterer, as the lessee, are the same and the lease component, if accounted for separately, would be classified as an operating lease. Additionally, the lease component is considered the predominant component as the Company has assessed that more value is ascribed to the vessel rather than to the services provided under the time charter contracts.

Voyage expenses, primarily consisting of commissions, are expensed over the related voyage charter period to the extent revenue has been recognized since commissions are due as the Company's revenues are earned. All vessel operating expenses are expensed as incurred.

Impairment of Long-lived Assets

Long-lived assets (vessels, land, and building) held and used by an entity are reviewed for impairment whenever events or changes in circumstances (such as market conditions, obsolescence or damage to the asset, potential sales and other business plans) indicate that the carrying amount of the assets plus unamortized dry-docking costs may not be recoverable or that their useful lives require modification. When the estimate of undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of the asset over its remaining useful life and its eventual disposition is less than its carrying amount, we should evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset. We determine the fair value of our assets based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations.

With respect to our vessels, the current conditions in the dry bulk market with low charter rates and vessel market values are conditions that the Company considers indicators of a potential impairment. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying amount. The projected net operating cash flows are determined by considering the historical and estimated vessels' performance and utilization, by considering future revenues, expected outflows for scheduled vessels' maintenance, vessel operating expenses and fleet utilization. The average annual inflation rate applied on vessels' maintenance and operating costs approximates current projections for global inflation rate for the remaining useful life of our vessels. Effective fleet utilization assumed is in line with the Company's historical performance and our expectations for future fleet utilization under our current fleet deployment strategy. We calculate future revenues for the fixed days, using the fixed charter rate of each vessel from existing time charters. With respect to the unfix days, we calculate the estimated revenues by reference to the most recent ten-year blended average one-year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of commissions. Historical ten-year blended average one-year time charter rates used in our impairment test exercise are in line with our overall chartering strategy, especially in periods/years of depressed charter rates; they reflect the full operating history of vessels of the same type and particulars with our operating fleet (Panamax/Post-Panamax/Kamsarmax and Capesize/Newcastlemax vessels) and they cover at least a full business cycle, where applicable. During the fourth quarter of 2017, we reassessed our method to estimate future revenues for the unfix days and decided to exclude from the ten-year blended average one-year time charter rates three years for which the rates were well above the average. We determined that the expectations, following positive signs and gradual increase in charter rates since the second quarter of 2017, for recovery of the market in the last quarter of 2017 at levels close to the ten-year blended average one-year time charter rates, were not eventually verified and that the market had stabilized to lower levels. We estimated that factors such as worldwide demand for drybulk products, supply of tonnage and order book indicated that the charter rates for the years 2008-2010, which were removed from the calculation following our reassessment, were considered exceptional. Similarly, we performed the exercise discussed above, for 2018, by excluding charters rates for the years 2009-2010 and for 2019, by excluding the rates for the year 2010. Following this reassessment, our test of cash flows resulted in an impairment of \$422.5 million recorded in 2017 and \$3.4 million in 2019. Our 2018 test did not result to impairment.

A comparison of the average estimated daily time charter equivalent rate used in our impairment analysis with the average "break-even rate" for each major class of vessels is presented below:

	Average estimated daily time charter equivalent rate used	Average break- even rate
Panamax/Kamsarmax/Post-Panamax	\$ 10,657	\$ 10,147
Capesize/Newcastlemax	\$ 14,898	\$ 12,457

Our impairment test exercise is sensitive to variances in the time charter rates and fleet effective utilization. Our current analysis, which also involved a sensitivity analysis by assigning possible alternative values to these two significant inputs, indicated that with only a 1% reduction in time charter rates or a 2% increase of off hire days (other than for dry docking and special surveys) would result to an impairment of individual long lived assets. However, there can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

For the purpose of presenting our investors with additional information to determine how the Company's future results of operations may be impacted in the event that daily time charter rates do not improve from their current levels in future periods, we set forth below an analysis that shows the 1-year, 3-year and 5-year average blended rates and the effect of the use of each of these rates would have on the Company's impairment analysis.

	1-year (period)	Impairment charge (in USD million)		3-year (period)	Impairment charge (in USD million)		5-year (period)	Impairment charge (in USD million)
Panamax/Kamsarmax/Post-Panamax	\$ 11,877	-	\$	11,857	-	\$	9,865	\$ 12
Capesize/Newcastlemax	\$ 16,363	-	\$	16,166	-	\$	13,178	\$ 94

Results of Operations

Year ended December 31, 2019 compared to the year ended December 31, 2018

Time charter revenues. Time charter revenues decreased by \$5.5 million, or 2%, to \$220.7 million in 2019, compared to \$226.2 million in 2018. The decrease was mainly due to decreased revenues due to the sale of six vessels during 2019 and two vessels in December 2018. In 2019 we had total operating days of 15,971 and fleet utilization of 98.6%, compared to 17,799 total operating days and a fleet utilization of 99.1% in 2018. This decrease was partly offset by increased time charter rates which resulted in a 5% increase in our average charter rates from \$12,179 in 2018 to \$12,796 in 2019.

Voyage expenses. Voyage expenses increased by \$6.1 million, or 82%, to \$13.5 million in 2019 compared to \$7.4 million in 2018. This increase in voyage expenses is primarily attributable to bunkers which resulted in loss of \$1.5 million compared to gain of \$4.8 million in 2018.

Vessel operating expenses. Vessel operating expenses decreased by \$4.9 million, or 5%, to \$90.6 million in 2019 compared to \$95.5 million in 2018. The decrease in operating expenses is attributable to the sale of six vessels in 2019 and two vessels in December 2018 and was partly offset by increased average expenses in all expense categories but primarily in spares and repairs, to prepare the vessels for the change of fuel, beginning in 2020. Daily operating expenses were \$5,510 in 2019 compared to \$5,247 in 2018, representing a 5% increase.

Depreciation and amortization of deferred charges. Depreciation and amortization of deferred charges decreased by \$3.3 million, or 6%, to \$48.9 million in 2019, compared to \$52.2 million in 2018. This decrease was due to the sale of six vessels in 2019 and two vessels in 2018. This decrease was partly offset by an increase in the amortization of deferred cost relating to dry-dockings.

General and administrative expenses. General and Administrative Expenses decreased by \$0.9 million, or 3%, to \$28.6 million in 2019 compared to \$29.5 million in 2018. The decrease is mainly attributable to decreased bonus taxation and the exchange rate of Euro to US Dollar and was partly offset by increased payroll and training cost, and directors' and officers' insurance.

Management fees to related party. Management fees to a related party amounted to \$2.2 million in 2019 compared to \$2.4 million in 2018. The decrease is attributable to decreased average number of vessels managed by DWM in 2019 compared to 2018, due to the sale of vessels.

Impairment loss. Impairment loss in 2019 amounted to \$14.0 million of which \$10.6 million was due to the sale of three vessels which were measured at the lower of their carrying value and fair value (sale price) less costs to sell resulting from their classification as held for sale and one vessel classified as held for sale at December 31, 2019, the *Calipso*. Additionally, the Company's estimated undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of three vessels over their remaining useful lives and their eventual disposition was less than their carrying amount. This resulted to impairment loss, net loss and net loss attributed to common stockholders of \$3.4 million.

Loss from sale of vessels. Loss from sale of vessels amounted to \$6.2 million in 2019 and is the result from the sale of the vessels *Erato*, *Nirefs* and *Clio* during the year, compared to \$1.4 million in 2018 from the sale of two vessels.

Interest and finance costs. Interest and finance costs decreased by \$1.1 million, or 4%, to \$29.4 million in 2019 compared to \$30.5 million in 2018. The decrease is primarily attributable to decreased average interest rates and to decreased average long-term debt outstanding during 2019 compared to 2018. Interest expense in 2019 amounted to \$28.0 million compared to \$28.3 million 2018.

Interest and other income. Interest and other income decreased by \$5.9 million, or 67%, to \$2.9 million in 2019 compared to \$8.8 million in 2018. The decrease is attributable to decreased interest income due to the settlement in 2018, of the loan to Performance Shipping.

Gain/(loss) from investments. Gain/loss from investments relates to the gain/loss from our 50% interest in DWM. Also, in 2019 a \$1.5 million loss was recognized from our investment in the Preferred Stock of Performance Shipping as, based on our qualitative assessment, it was considered that its carrying amount at December 31, 2019 would not be recoverable.

Year ended December 31, 2018 compared to the year ended December 31, 2017

Time charter revenues. Time charter revenues increased by \$64.3 million, or 40%, to \$226.2 million in 2018, compared to \$161.9 million in 2017. The increase was mainly due to increased time charter rates which resulted in a 42% increase in our average charter rates from \$8,568 in 2017 to \$12,179 in 2018. This increase was also due to increased operating days resulting from the delivery of the *Electra*, *Phaidra* and *Astarte* in May 2017 and was also due to decreased drydock and off hire days in 2018 compared to 2017, for which our vessels did not earn revenue. In 2018 we had total operating days of 17,799 and fleet utilization of 99.1%, compared to 17,566 total operating days and a fleet utilization of 98.2% in 2017. This increase was partly offset by decreased revenues due to the sale of the *Melite* in October 2017 and the *Triton* and *Alcyon* in December 2018.

Voyage expenses. Voyage expenses decreased by \$1.2 million, or 14%, to \$7.4 million in 2018 compared to \$8.6 million in 2017. This decrease in voyage expenses is primarily attributable to bunkers which resulted in gain of \$4.8 million compared to gain of \$0.2 million in 2017. This decrease was partly offset by increased commissions in 2018 compared to 2017 due to the increase in revenues.

Vessel operating expenses. Vessel operating expenses increased by \$5.1 million, or 6%, to \$95.5 million in 2018 compared to \$90.4 million in 2017. The increase in operating expenses is attributable to increased expenses in all expense categories but primarily due to increased vessels' maintenance. Daily operating expenses were \$5,247 in 2018 compared to \$4,987 in 2017, representing a 5% increase.

Depreciation and amortization of deferred charges. Depreciation and amortization of deferred charges decreased by \$34.8 million, or 40%, to \$52.2 million in 2018, compared to \$87.0 million in 2017. This decrease was due to the impairment loss recorded last year, decreasing the vessel's cost. Similarly, a significant part of the deferred cost relating to dry-dockings was written off in 2017 resulting to decreased amortization in 2018. Finally, depreciation was also reduced due to the sale of the *Triton* and the *Alcyon* in December 2018 and of the *Melite* in October 2017.

General and administrative expenses. General and administrative expenses increased by \$3.2 million, or 12%, to \$29.5 million in 2018 compared to \$26.3 million in 2017. The increase is mainly attributable to increased payroll and training cost, legal fees, board of directors' fees and expenses and the exchange rate of Euro to U.S. Dollars.

Management fees to related party. Management fees to a related party amounted to \$2.4 million in 2018 compared to \$1.9 million in 2017. The increase is attributable to the increased average number of vessels managed by DWM in 2018 compared to 2017.

Loss from sale of vessels. Loss from sale of vessels is the result from the sale of the vessels *Triton* and *Alcyon*, delivered to their new owners in December 2018.

Interest and finance costs. Interest and finance costs increased by \$3.9 million, or 15%, to \$30.5 million in 2018 compared to \$26.6 million in 2017. The increase is primarily attributable to higher average interest rates to, however, decreased average long-term debt outstanding during 2018 compared to 2017. Interest expense in 2018 amounted to \$28.3 million compared to \$25.0 million 2017.

Interest and other income. Interest and other income increased by \$4.3 million, or 96%, to \$8.8 million in 2018 compared to \$4.5 million in 2017. The increase is attributable to increased interest income from our loan agreement with Performance Shipping, which was fully collected in July 2018, and resulted from the increase in interest rates, average debt and the \$5 million discount premium which had not been recorded until its payment.

Gain/(loss) from investments. Gain from equity method investments relates to the gain from our 50% interest in DWM compared to \$49,382 last year. Last year this amount also included a loss from our investment in Performance Shipping including an impairment charge of \$3.1 million and \$0.8 million loss from the sale of the equity investment in common stock.

Inflation

Inflation does not have a material effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

B. Liquidity and Capital Resources

We have historically financed our capital requirements with cash flow from operations, equity contributions from shareholders, long-term bank debt, Senior Notes and, since September 2018, our Bond. Our main uses of funds have been capital expenditures for the acquisition and construction of new vessels, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards and repayments of bank loans. We will require capital to fund ongoing operations, vessel improvements to meet requirements under new regulations, debt service and the payment of our preferred dividends. As at December 31, 2019 and 2018, working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to \$71.6 million and \$16.8 million, respectively. The increase in working capital is mainly due to decreased current long-term debt. For 2020, we believe that anticipated revenues will result in internally generated cash flows along with cash on hand which will be sufficient to fund our capital requirements. We also plan to incur additional debt or refinance existing debt and we may issue additional equity, if deemed necessary to fund our capital requirements in the next twelve months. However, beginning in February 2020, due in part to fears associated with the spread of COVID-19, global financial markets, and starting in late February, financial markets in the U.S., experienced even greater relative volatility and a steep and abrupt downturn, which volatility and downturn may continue as COVID-19 continues to spread. Credit markets and the debt and equity capital markets have been distressed and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices that will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

Cash Flow

Cash and cash equivalents, including restricted cash, was \$128.3 million as at December 31, 2019 and \$151.4 million as at December 31, 2018. Restricted cash mainly consists of the amount kept against the Company's loan facilities. As at December 31, 2019 and 2018, restricted cash amounted to \$21.0 million and \$24.0 million, respectively, and in 2018 also includes \$0.6 million of pledged cash provided as guarantee to third parties. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased by \$30.0 million to \$49.9 million in 2019 compared to \$79.9 million net cash provided by operating activities in 2018. This decrease in cash from operating activities was mainly attributable to the decreased revenues due to the sale of six vessels in 2019 compared to two vessels in December 2018 and increased dry-docking costs. This decrease was partly offset by increased average time charter rates.

Net cash provided by operating activities increased by \$56.5 million to \$79.9 million in 2018 compared to \$23.4 million net cash provided by operating activities in 2017. This increase in cash from operating activities was mainly attributable to the increase in charter rates during the year and less drydocking costs.

Net Cash Provided by/(Used in) Investing Activities

Net cash provided by investing activities was \$38.4 million for 2019, which consists of \$2.8 million paid for vessel improvements due to new regulations; \$41.3 million of proceeds from the sale of six vessels in 2019 and \$0.1 million relating to the acquisition of office equipment.

Net cash provided by investing activities was \$99.4 million for 2018, which consists of \$2.6 million paid for vessel improvements due to new regulations; \$14.6 million of proceeds from the sale of two vessels in 2018; \$87.6 million of proceeds received from Performance Shipping, and \$0.2 million relating to the acquisition of office equipment.

Net cash used in investing activities was \$152.3 million for 2017, which consists of \$125.8 million paid for delivery of our vessels under construction and the acquisition of three vessels during the year; \$2.0 million of proceeds from the sale of the *Melite* and \$11.4 million of additional proceeds received by the H&M insurers of the vessel, net of other expenses; \$0.2 million of proceeds received from the sale of Performance Shipping's shares; \$40.0 million loan provided to Performance Shipping, and \$0.1 million relating to the acquisition of property and equipment.

Net Cash Provided by/(Used In) Financing Activities

Net cash used in financing activities was \$111.4 million for 2019, which consists of \$44.0 million of proceeds from new loan agreements; \$100.6 million of indebtedness that we repaid; \$5.8 million of dividends paid on our Series B Preferred Stock; \$49.7 million paid for repurchase of common stock; \$1.0 million received in relation to the acquisition by Mr. Palios of our Series C Preferred Stock; and \$0.3 million of finance costs paid in relation to the new loan agreements.

Net cash used in financing activities was \$93.7 million for 2018, which consists of \$100.0 million of proceeds from our Bond; \$169.9 million of indebtedness that we repaid; \$5.8 million of dividends paid on our Series B Preferred Stock; \$15.2 million for repurchase of common stock and \$2.8 million of loan fees relating to the Bond and our refinancing agreement with BNP.

Net cash provided by financing activities was \$73.6 million for 2017, which consists of \$57.2 million of proceeds drawn under our new loan facility with CEXIM Bank; \$55.2 million of indebtedness that we repaid; \$5.8 million of dividends paid on our Series B Preferred Shares; and \$77.3 million of proceeds from the issuance of 20,125,000 of additional common stock in 2017.

Loan Facilities, Senior Unsecured Notes and Senior Bond

As at December 31, 2019, we had \$478.3 million of long term debt outstanding under our facilities and Bond, which as of the date of this annual report was 470.3 million, and consists of the agreements described below.

Secured Term Loans:

On October 22, 2009, our wholly-owned subsidiary Gala Properties Inc. entered into a \$40.0 million loan agreement with Bremer Landesbank to partly finance the acquisition cost of the Houston. The loan is repayable in 40 quarterly installments of \$0.9 million plus one balloon installment of \$4.0 million to be paid together with the last installment on November 12, 2019. The loan bears interest at LIBOR plus a margin of 2.15% per annum. The loan was prepaid in full in June 2019.

On October 2, 2010, two of our wholly-owned subsidiaries entered into a loan agreement with Export-Import Bank of China ("CEXIM Bank") and DnB NOR Bank ASA ("DnB") to finance part of the construction cost of the *Los Angeles*, and the *Philadelphia*, for \$72.1 million. The Lae advance is repayable in 40 quarterly installments of approximately \$0.6 million and a balloon of \$12.3 million payable together with the last installment on February 15, 2022. The Namu advance is repayable in 40 quarterly installments of approximately \$0.6 million and a balloon of \$11.4 million payable together with the last installment on May 18, 2022. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

On September 13, 2011, one of our wholly-owned subsidiaries entered into a loan agreement with Emporiki Bank of Greece S.A. for a loan of up to \$15.0 million to refinance part of the acquisition cost of the *Arethusa*. On December 13, 2012, the outstanding loan balance was transferred to Credit Agricole Corporate and Investment Bank. The loan is repayable in 20 equal semiannual installments of \$0.5 million each and a balloon payment of \$5.0 million to be paid together with the last installment on September 15, 2021. The loan bears interest at LIBOR plus a margin of 2.5% per annum, or 1% for such loan amount that is equivalently secured by cash pledge in favor of the bank.

On May 24, 2013, our wholly-owned subsidiaries Erikub Shipping Company Inc. and Wotho Shipping Company Inc. entered into a loan agreement with CEXIM Bank and DnB to finance part of the construction cost of the vessels *Crystalia* and *Atalandi* for an amount of up to \$15.0 million for each vessel, drawn on May 22, 2014. Each advance was repayable in 19 quarterly installments of \$250,000 and a balloon of \$10.3 million payable together with the last installment which has been paid in full on February 22, 2019. The loan bore interest at LIBOR plus a margin of 3.0% per annum.

On January 9, 2014, two of our wholly-owned subsidiaries entered into a loan agreement with Commonwealth Bank of Australia, London Branch, for a loan facility of \$18.0 million to finance part of the acquisition cost of the *Melite* and *Artemis*. The loan was drawn in two tranches, one of \$8.5 million assigned to *Melite* and one of \$9.5 million assigned to *Artemis*. Tranche A was repaid in full in October 2017, after grounding of the *Melite*. Tranche B is repayable in 32 equal consecutive quarterly installments of \$156,250 each and a balloon of \$4.5 million payable on January 13, 2022. The loan bears interest at LIBOR plus a margin of 2.25%.

On December 18, 2014, two of our wholly-owned subsidiaries entered into a loan agreement with BNP for a loan facility of \$53.5 million to finance part of the acquisition cost of the *G. P. Zafirakis* and the *P. S. Palios*. The loan bears interest at LIBOR plus a margin of 2%, and is repayable in 14 equal semi-annual installments of approximately \$1.6 million and a balloon of \$31.5 million, payable on November 30, 2021.

On March 17, 2015, eight of our wholly-owned subsidiaries entered into a loan facility with Nordea for an amount of \$93.1 million. The loan is repayable in 24 equal consecutive quarterly installments of approximately \$1.9 million and a balloon of \$48.4 million, payable together with the last installment on March 19, 2021. The loan bears interest at LIBOR plus a margin of 2.1%.

On March 26, 2015, three of our wholly-owned subsidiaries entered into a loan agreement with ABN AMRO Bank N.V. for a secured term loan facility of up to \$53.0 million, to refinance part of the acquisition cost of the vessels *New York*, *Myrto* and *Maia* of which \$50.2 million was drawn on March 30, 2015. The loan is repayable in 24 equal consecutive quarterly installments of about \$1.0 million and a balloon of \$26.3 million payable together with the last installment on March 30, 2021. The loan bears interest at LIBOR plus a margin of 2.0%.

On April 29, 2015, one of our wholly-owned subsidiaries entered into a term loan agreement with Danish Ship Finance A/S for a loan facility of \$30.0 million, drawn on April 30, 2015 to partly finance the acquisition cost of the *Santa Barbara*, which was delivered in January 2015. The loan is repayable in 28 equal consecutive quarterly installments of \$0.5 million each and a balloon of \$16.0 million payable together with the last installment on April 30, 2022. The loan bears interest at LIBOR plus a margin of 2.15%.

On September 30, 2015, two of our wholly-owned subsidiaries entered into a term loan agreement with ING Bank N.V. for a loan of up to \$39.7 million, available in two advances to finance part of the acquisition cost of the *New Orleans* and the *Medusa*. Advance A of about \$28.0 million was drawn on November 19, 2015 and is repayable in 28 consecutive quarterly installments of about \$0.5 million and a balloon installment of about \$15.0 million payable together with the last installment on November 19, 2022. Advance B of about \$11.7 million was drawn on October 6, 2015 and is repayable in 28 consecutive quarterly installments of about \$0.3 million and a balloon installment of about \$3.5 million payable together with the last installment on October 6, 2022. The loan bears interest at LIBOR plus a margin of 1.65%.

On January 7, 2016, three of our wholly-owned subsidiaries entered into a secured loan agreement with the CEXIM Bank for a loan of up to \$75.7 million in order to finance part of the construction cost of three vessels. On January 4, 2017, we drew down \$57.24 million to finance part of the construction cost of *San Francisco* and *Newport News*, both delivered on January 4, 2017. The balance of the committed loan amount, including the tranche for Hull *DY6006* whose shipbuilding contract was cancelled on October 31, 2016, was cancelled. On February 6, 2017, we also entered into a Deed of Release with the CEXIM Bank in order to release the owner of Hull *DY6006* of all of its obligations under the loan agreement as borrower. The loan is payable in 60 equal quarterly installments of \$954,000 each, the last of which is payable by January 4, 2032, and bears interest at LIBOR plus a margin of 2.3%.

On July 13, 2018, we entered into a loan agreement with BNP for a secured term loan facility of \$75 million. The loan has a term of five years and is repayable in 20 consecutive quarterly installments of \$1.56 million and a balloon installment of \$43.75 million payable together with the last installment on July 16, 2023. The loan bears interest at LIBOR plus a margin of 2.3%.

On March 14, 2019, two of our wholly-owned subsidiaries entered into a term loan agreement with DNB Bank ASA for a loan of \$19.0 million, to refinance the loan of *Crystalia* and *Atalandi*, which was repaid in February 2019. The loan is repayable in 20 consecutive quarterly instalments of \$477,280 and a balloon of \$9.5 million payable together with the last installment on March 14, 2024. The loan bears interest at LIBOR plus a margin of 2.4%.

On June 27, 2019, two of our wholly-owned subsidiaries entered into a term loan agreement with ABN AMRO Bank N.V. for a loan of \$25.0 million, to refinance the vessels *Selina*, *Ismene* and *Houston*. The loan is payable in 20 consecutive quarterly installments of \$0.8 million each and a balloon installment of \$9 million payable together with the last installment June 28, 2024. The loan bears interest at LIBOR plus a margin of 2.25%.

Under the secured term loans outstanding as of December 31, 2019, 32 vessels of the Company's fleet were mortgaged with first preferred or priority ship mortgages. Additional securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts with duration that exceeds a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by Diana Shipping Inc. (the "Guarantor") or a guarantee by the ship owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the Guarantor, maintained in the bank accounts of the borrowers, or the Guarantor. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends following the occurrence of an event of default.

As at December 31, 2018 and 2019, and the date of this report, we were in compliance with all of our loan covenants.

As at the date of this report, 32 vessels were provided as collateral to secure our loan facilities.

Senior Unsecured Bond due 2023

On September 27, 2018, the Company issued a \$100 million senior unsecured bond (the "Bond") maturing in September 2023 and may issue up to an additional \$25 million of the Bond on one or more occasions. Entities affiliated with the Company's chief executive officer, Mr. Simeon Palios, and other executive officers and directors of the Company purchased \$16.2 million aggregate principal amount of the Bond. The Bond bears interest from September 27, 2018 at a US Dollar fixed-rate coupon of 9.50% and is payable semi-annually in arrears in March and September of each year. The Bond is callable in whole or in parts in three years at a price equal to 103% of nominal value; in four years at a price equal to 101.9% of the nominal value and in four and a half years at a price equal to 100% of nominal value. The bond includes financial and other covenants and is trading on the Oslo Stock Exchange under the ticker symbol "DIASH01".

As of December 31, 2019, 2018 and 2017 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Capital Expenditures

We make capital expenditures from time to time in connection with vessel acquisitions and constructions, which we finance with cash from operations, debt under loan facilities at terms acceptable to us, with funds from equity issuances and we have also issued senior notes and a bond. Currently, we do not have capital expenditures for vessel acquisitions or constructions, but we incur capital expenditures when our vessels undergo surveys. This process of recertification may require us to reposition these vessels from a discharging port to shipyard facilities, which will reduce our operating days during the period. We also incur capital expenditures for vessel improvements to meet new regulations. The loss of earnings associated with the decrease in operating days together with the capital needs for repairs and upgrades result in increased cash flow needs. We expect to cover such capital expenditures and cash flow needs with cash from operations and cash on hand.

C. Research and development, patents and licenses

We incur from time to time expenditures relating to inspections for acquiring new vessels that meet our standards. Such expenditures are insignificant and they are expensed as they incur.

D. Trend information

Our results of operations depend primarily on the charter hire rates that we are able to realize, and the demand for dry bulk vessel services. The Baltic Dry Index, or the BDI, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then. In 2016, the BDI ranged from a record low of 290 in February to a high of 1,257 in November. In 2018, the BDI ranged from a low of 948 in April to a high of 1,774 in July. In 2019 BDI ranged from a low of 595 in February to a high of 2,518 in September.

The decline and volatility in charter rates in the dry bulk market reflects in part the fact that the supply of dry bulk vessels in the market has been increasing, and the number of newbuilding dry bulk vessels on order is high. Demand for dry bulk vessel services is influenced by global financial conditions. Global financial markets and economic conditions have been, and continue to be, volatile. Beginning in February 2020, due in part to fears associated with the spread of COVID-19, global financial markets, and starting in late February, financial markets in the U.S., experienced even greater relative volatility and a steep and abrupt downturn, which volatility and downturn may continue as COVID-19 continues to spread. Credit markets and the debt and equity capital markets have been distressed and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices that will not be dilutive to our existing shareholders or preclude us from issuing equity at all. Economic conditions may also adversely affect the market price of our common shares.

We believe we have structured our capital expenditure requirements, debt commitments and liquidity resources in a way that will provide us with financial flexibility (see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources” for more information).

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations, in thousands of U.S. dollars, and their maturity dates as of December 31, 2019:

Contractual Obligations	Payments due by period				
	Total Amount	Less than 1 year	2-3 years	4-5 years	More than 5 years
	(in thousands of US dollars)				
Loan Agreements and Bond (1)	\$ 478,298	\$ 41,242	\$ 227,680	\$ 181,710	\$ 27,666
Estimated Interest Payments on Loan Agreements and Bond (1)	75,964	25,538	35,931	9,952	4,543
Broker services agreement (2)	500	500	-	-	-
Total	\$ 554,762	\$ 67,280	\$ 263,611	\$ 191,662	\$ 32,209

(1) As of December 31, 2019, we had an aggregate principal amount of \$478.3 million of indebtedness outstanding under our loan facilities and our Bond. Estimated interest payments represent projected interest payments on our long-term debt, which are based on the weighted average LIBOR rate in 2019 plus the margin of our loan agreements in 2019 and the fixed interest rate of our Bond.

(2) Our agreement with Steamship (formerly Diana Enterprises Inc.) dated April 1, 2019, expires on March 31, 2020.

G. *Safe Harbour*

See the section entitled “Forward-Looking Statements” at the beginning of this annual report.

Item 6. **Directors, Senior Management and Employees**

A. *Directors and Senior Management*

Set forth below are the names, ages and positions of our directors and executive officers. Effective February 19, 2020, our Board of Directors decreased its size from eleven to nine members, as Mr. Michalopoulos and Mr. Christos Glavanis resigned from their positions. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three-year term and until his or her successor is elected and has qualified, except in the event of such director’s death, resignation, removal or the earlier termination of his or her term of office. Officers are appointed from time to time by our board of directors and hold office until a successor is appointed or their employment is terminated.

Name	Age	Position
Simeon Palios	78	Class I Director, Chief Executive Officer and Chairman
Semiramis Paliou	45	Class III Director, Deputy Chief Executive Officer and Chief Operating Officer
Anastasios Margaronis	64	Class I Director and President
Ioannis Zafirakis	48	Class I Director, Interim Chief Financial Officer, Chief Strategy Officer, Treasurer and Secretary
William (Bill) Lawes	76	Class II Director
Konstantinos Psaltis	81	Class II Director
Kyriacos Riris	70	Class II Director
Apostolos Kontoyannis	71	Class III Director
Konstantinos Fotiadis	69	Class III Director
Maria Dede	47	Chief Accounting Officer

The term of our Class I directors expires in 2021, the term of our Class II directors expires in 2022, and the term of our Class III directors expires in 2023.

The business address of each officer and director is the address of our principal executive offices, which are located at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece.

Biographical information with respect to each of our directors and executive officers is set forth below.

Simeon P. Palios has served as the Chief Executive Officer and Chairman of Diana Shipping Inc. since February 21, 2005 and as a Director since March 9, 1999 and has served as the Chief Executive Officer and Chairman of Performance Shipping Inc. since January 13, 2010. Mr. Palios also serves currently as the President of Diana Shipping Services S.A., our management company. Prior to November 12, 2004, Mr. Palios was the Managing Director of Diana Shipping Agencies S.A. Since 1972, when he formed Diana Shipping Agencies S.A., Mr. Palios has had overall responsibility for its activities. Mr. Palios has experience in the shipping industry since 1969 and expertise in technical and operational issues. He has served as an ensign in the Greek Navy for the inspection of passenger boats on behalf of Ministry of Merchant Marine and is qualified as a naval architect and marine engineer. Mr. Palios is a member of various leading classification societies worldwide and he is a member of the board of directors of the United Kingdom Freight Demurrage and Defense Association Limited. Since October 7, 2015, Mr. Palios has served as President of the Association “Friends of Biomedical Research Foundation, Academy of Athens”. He holds a bachelor’s degree in Marine Engineering from Durham University.

Semiramis Paliou has served as a Director since March 2015. She has served as Deputy Chief Executive Officer of the Company since October 2019 and as the Chief Operating Officer of the Company and Diana Shipping Services S.A. since August 2018. From November 2018 to February 2020 Mrs. Paliou served as Chief Operating Officer of Performance Shipping Inc. Mrs. Paliou has 20 years of experience in shipping operations, technical management and crewing. Mrs. Paliou began her career at Lloyd’s Register of Shipping from 1996 to 1998 as a trainee ship surveyor. She was then employed by Diana Shipping Agencies S.A. From 2007 to 2010 she was employed as a Director and President of Alpha Sigma Shipping Corp. From February 2010 to November 2015 she was the Head of the Operations, Technical and Crew department of Diana Shipping Services S.A. From November 2015 to October 2016 she served as Vice President of the same company. From November 2016 to the end of July 2018, she served as Managing Director and Head of the Technical, Operations, Crew and Supply department of Unitized Ocean Transport Limited. Mrs. Paliou obtained her BSc in Mechanical Engineering from Imperial College, London and her MSc in Naval Architecture from University College, London. In 2016 she completed a course in Finance for Senior Executives and in July 2019 a course in Authentic Leader Development, both at Harvard Business School. She is the daughter of Simeon Palios, the Company’s Chief Executive Officer and Chairman, and is a member of the Greek committee of Det Norske Veritas - Germanischer Lloyd, a member of the Greek committee of Nippon Kaiji Kyokai and a member of the Greek committee of Bureau Veritas. Since March 2018, Mrs. Paliou is on the board of directors of the Hellenic Marine Environment Protection Association.

Anastasios C. Margaronis has served as our President and as a Director since February 21, 2005. Mr. Margaronis is a Deputy President of Diana Shipping Services S.A., where he also serves as a Director and Secretary. Prior to February 21, 2005, Mr. Margaronis was employed by Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as President. He joined Diana Shipping Agencies S.A. in 1979 and has been responsible for overseeing our vessels' insurance matters, including hull and machinery, protection and indemnity and war risks insurances. From January 2010 to February 2020 he served as Director and President of Performance Shipping Inc. Mr. Margaronis has experience in the shipping industry, including in ship finance and insurance, since 1980. He is a member of the Greek National Committee of the American Bureau of Shipping and was a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited from October 2005 to October 2019. He holds a bachelor's degree in Economics from the University of Warwick and a master's of science degree in Maritime Law from the Wales Institute of Science and Technology.

Ioannis G. Zafirakis has served as our Director and Secretary since February 2005 and he has held various executive positions such as Chief Strategy Officer, Chief Operating Officer, Executive Vice-President and Vice-President. Since February 2020, Mr. Zafirakis also serves as Interim Chief Financial Officer and Treasurer of Diana Shipping Inc. In addition, Mr. Zafirakis is the Interim Chief Financial Officer and Chief Strategy Officer of Diana Shipping Services S.A., where he also serves as Director and Treasurer. From June 1997 to February 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A. where he held a number of positions in its finance and accounting department. From January 2010 to February 2020 he served as Director and Secretary and he held various executive positions such as Chief Operating Officer and Chief Strategy Officer of Performance Shipping Inc. Mr. Zafirakis is a member of the Business Advisory Committee of the Shipping Programs of ALBA Graduate Business School at The American College of Greece. He holds a bachelor's degree in Business Studies from City University Business School in London and a master's degree in International Transport from the University of Wales in Cardiff.

Maria Dede has served as our Chief Accounting Officer since September 1, 2005 during which time she has been responsible for all financial reporting requirements. Mrs. Dede has also served as an employee of Diana Shipping Services S.A. since March 2005. In 2000 Mrs. Dede joined the Athens branch of Arthur Andersen, which merged with Ernst and Young (Hellas) in 2002, where she served as an external auditor of shipping companies until 2005. From 1996 to 2000 Mrs. Dede was employed by Venus Enterprises S.A., a ship-management company, where she held a number of positions primarily in accounting and supplies. Mrs. Dede holds a Bachelor's degree in Maritime Studies from the University of Piraeus, a Master's degree in Business Administration from the ALBA Graduate Business School and a Master's degree in Auditing and Accounting from the Greek Institute of Chartered Accountants.

William (Bill) Lawes has served as a Director and the Chairman of our Audit Committee since March 2005. Mr. Lawes served as a Managing Director and a member of the Regional Senior Management Board of JPMorgan Chase and its predecessor banks from 1987 until 2002. Prior to joining JPMorgan Chase, he was Global Head of Shipping Finance at Grindlays Bank. From December 2007 to March 2019, he served as an independent member of the Board of Directors and Chairman of the Audit Committee of Teekay Tankers Ltd. Mr. Lawes joined Seafarers UK, a maritime charity, as Trustee and Finance Committee member in 2016. Mr. Lawes is qualified as a member of the Institute of Chartered Accountants of Scotland.

Konstantinos Psaltis has served as a Director since March 2005 and as the Chairman of our Nominating Committee since May 2015 and a member of our Compensation Committee since May 2017. From 1981 to 2006, Mr. Psaltis served as Managing Director of Ormos Compania Naviera S.A., a company that specializes in operating and managing multipurpose container vessels and from 2006 until today as a President of the same company. Prior to joining Ormos Compania Naviera S.A., Mr. Psaltis simultaneously served as a technical manager in the textile manufacturing industry and as a shareholder of shipping companies managed by M.J. Lemos. From 1961 to 1964, he served as ensign in the Royal Hellenic Navy. He holds a degree in Mechanical Engineering from Technische Hochschule Reutlingen & Wuppertal and a bachelor's degree in Business Administration from Tubingen University in Germany.

Kyriacos Riris has served as a Director since March 2015 and as a member of our Nominating Committee since May 2015. Commencing in 1998, Mr. Riris served in a series of positions in PricewaterhouseCoopers (PwC), Greece, including Senior Partner, Managing Partner of the Audit and the Advisory/Consulting Lines of Service. From 2009 to 2014, Mr. Riris served as Chairman of the Board of Directors of PricewaterhouseCoopers (PwC), Greece. Prior to its merger with PwC, Mr. Riris was employed at Grant Thornton, Greece, where in 1984 he became a Partner. From 1976 to 1982, Mr. Riris was employed at Arthur Young, Greece. Since November 2018, Mr. Riris has served as Chairman of Titan Cement International S.A., a Belgian corporation. Mr. Riris holds a degree from Birmingham Polytechnic (presently Birmingham City University) and completed his professional qualifications with the Association of Certified Chartered Accountants (ACCA) in the UK in 1975, becoming a Fellow of the Association of Certified Accountants in 1985.

Apostolos Kontoyannis has served as a Director and as the Chairman of our Compensation Committee and a member of our Audit Committee since March 2005. Mr. Kontoyannis has over 40 years of experience in shipping finance and currently serves as financial consultant to various shipping companies. He was employed by Chase Manhattan Bank N.A. in Frankfurt (Corporate Bank), London (Head of Shipping Finance South Western European Region) and Piraeus (Manager, Ship Finance Group) from 1975 to 1987. Mr. Kontoyannis holds a bachelor's degree in Finance and Marketing and a master's degree in business administration in Finance from Boston University.

Konstantinos Fotiadis has served as a Director since 2017. Mr. Fotiadis served as an independent Director and as the Chairman of the Audit Committee of Performance Shipping Inc. from the completion of Performance Shipping Inc.'s private offering until February 8, 2011. From 1990 until 1994 Mr. Fotiadis served as the President and Managing Director of Reckitt & Colman (Greece), part of the British multinational Reckitt & Colman plc, manufacturers of household, cosmetics and health care products. From 1981 until its acquisition in 1989 by Reckitt & Colman plc, Mr. Fotiadis was a General Manager at Dr. Michalis S.A., a Greek company manufacturing and marketing cosmetics and health care products. From 1978 until 1981 Mr. Fotiadis held positions with Esso Chemicals Ltd. and Avrassoglou S.A. Mr. Fotiadis has also been active as a business consultant and real estate developer. Mr. Fotiadis holds a degree in Economics from Technische Universitaet Berlin and in Business Administration from Freie Universitaet Berlin.

Biographical information concerning certain directors and executive officers, who resigned from their director positions effective as of the date of the 2020 shareholder meeting and resigned from their executive officer position effective as of February 28, 2020 is set forth below.

Christos Glavanis served as a Director of the Company from August 2018 through February 19, 2020. Mr. Glavanis has over 30 years of experience in the audit profession, serving in several senior roles at Ernst & Young, including as Chairman and Managing Partner of EY Greece from 1987 to 2010 and Managing Partner of EY South East Europe from 1996 to 2010. Mr. Glavanis was also a main Board Member of EY EMEA Regional and a member of EY Global Council. Currently, Mr. Glavanis is a non-executive board member of W S Karoulias S.A., a beverage distribution company based in Athens, Greece and BuyaPowa Ltd., a London, England based online platform allowing users to design, launch, and analyze social sales campaigns. He is also the trustee of Phase Worldwide, a United Kingdom charity. He previously served as a non-executive board member and chairman of the Audit Committee of Korres S.A, a Greece based cosmetics company, chairman of the Audit Committee of the Hellenic Financial Stability Fund, board member and audit committee member of Eurobank SA and a non-executive board member of Pharmaten S.A. Greece based pharmaceutical company. On February 19, 2020, Mr. Glavanis resigned as a Director due to other business commitments.

Andreas Michalopoulos served as a Director until February 19, 2020. Mr. Michalopoulos also served as the Company's Chief Financial Officer and Treasurer from March 8, 2006 through February 28, 2020. Mr. Michalopoulos also has served in these positions with Performance Shipping Inc. since January 13, 2010. Mr. Michalopoulos started his career in 1993 when he joined Merrill Lynch Private Banking in Paris. In 1995, he became an International Corporate Auditor with Nestle SA based in Vevey, Switzerland and moved in 1998 to the position of Trade Marketing and Merchandising Manager. From 2000 to 2002, he worked for McKinsey and Company in Paris, France, as an Associate Generalist Consultant before joining a major Greek Pharmaceutical Group with U.S. R&D activity as a Vice President of International Business Development and Member of the Executive Committee in 2002 where he remained until 2005. From 2005 to 2006, he joined Diana Shipping Agencies S.A. as a Project Manager. Mr. Michalopoulos graduated from Paris IX Dauphine University with Honors in 1993 obtaining an MSc in Economics and a master's degree in Management Sciences specialized in Finance. In 1995, he also obtained a master's degree in Business Administration from Imperial College, University of London. Mr. Andreas Michalopoulos is married to the youngest daughter of Mr. Simeon Palios, the Company's Chief Executive Officer and Chairman. On February 19, 2020, Mr. Michalopoulos resigned as a Director and, on February 28, 2020, Mr. Michalopoulos resigned as the Company's Chief Financial Officer and Treasurer, due to other business commitments.

B. Compensation

Aggregate executive compensation (including amounts paid to Steamship pursuant to the Brokerage Services Agreements) for 2019 was \$4.5 million. Since June 1, 2010, Steamship, a related party, as described in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" has provided to us brokerage services. Under the Brokerage Services Agreements in effect during 2019, fees for 2019 amounted to \$2.0 million. We consider fees under these agreements to be part of our executive compensation due to the affiliation with Steamship. We expect such fees to remain the same in 2020.

Non-employee directors receive annual compensation in the amount of \$52,000 plus reimbursement of out-of-pocket expenses. In addition, until July 2018, each non-executive director serving as chairman of a committee received additional annual compensation of \$26,000, plus reimbursement for out-of-pocket expenses; and each non-executive serving as member of a committee received additional annual compensation of \$13,000, plus reimbursement for out-of-pocket expenses. Since July 2018, each non-executive director serving as chairman of the audit and compensation committee receives additional annual compensation of \$40,000; and each non-executive director serving as chairman of the nominating committee receives additional annual compensation of \$26,000. Each non-executive director serving as member of the audit committee receives additional annual compensation of \$26,000 and all other members receive \$13,000, plus reimbursement for out-of-pocket expenses. For 2019, 2018 and 2017 fees and expenses of our non-executive directors amounted to \$0.5 million, \$0.5 million and \$0.4 million, respectively.

Since 2008 and until the date of this annual report, our board of directors has awarded an aggregate amount of 15,875,241 shares of restricted common stock, of which 13,224,656 shares were awarded to senior management and 2,650,585 shares were awarded to non-employee directors. All restricted shares vest ratably over three years, except for 600,000 shares awarded in 2008 which vested ratably over a period of six years until 2014 and 1,314,000 shares awarded in 2014 which vest ratably over a period of six years until 2020. The restricted shares are subject to forfeiture until they become vested. Unless they forfeit their shares, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares.

In 2019, compensation costs relating to the aggregate amount of restricted stock awards amounted to \$7.6 million.

We do not have a retirement plan for our officers or directors.

Equity Incentive Plan

In November 2014, our board of directors approved, and the Company adopted the 2014 Equity Incentive Plan, or the 2014 Plan, for 5,000,000 common shares, which on May 31, 2018 was amended to increase the common shares to 13,000,000. Currently, 4,924,759 shares remain reserved for issuance.

Under the 2014 Plan and as amended, the Company's employees, officers and directors are entitled to receive options to acquire the Company's common stock. The 2014 Plan is administered by the Compensation Committee of the Company's Board of Directors or such other committee of the Board as may be designated by the Board. Under the terms of the 2014 Plan, the Company's Board of Directors is able to grant a) incentive stock options, b) non-qualified stock options, c) stock appreciation rights, d) dividend equivalent rights, e) restricted stock, f) unrestricted stock, g) restricted stock units, and h) performance shares. No options, stock appreciation rights or restricted stock units can be exercisable prior to the first anniversary or subsequent to the tenth anniversary of the date on which such award was granted. Under the 2014 Plan, the Administrator may waive or modify the application of forfeiture of awards of restricted stock and performance shares in connection with cessation of service with the Company.

C. Board Practices

We have established an Audit Committee, comprised of two board members, which is responsible for reviewing our accounting controls, recommending to the board of directors the engagement of our independent auditors, and pre-approving audit and audit-related services and fees. Each member has been determined by our board of directors to be "independent" under the rules of the NYSE and the rules and regulations of the SEC. As directed by its written charter, the Audit Committee is responsible for appointing, and overseeing the work of the independent auditors, including reviewing and approving their engagement letter and all fees paid to our auditors, reviewing the adequacy and effectiveness of the Company's accounting and internal control procedures and reading and discussing with management and the independent auditors the annual audited financial statements. The members of the Audit Committee are Mr. William Lawes (chairman and financial expert) and Mr. Apostolos Kontoyannis (member and financial expert).

We have established a Compensation Committee comprised of two members, which, as directed by its written charter, is responsible for setting the compensation of executive officers of the Company, reviewing the Company's incentive and equity-based compensation plans, and reviewing and approving employment and severance agreements. The members of the Compensation Committee are Mr. Apostolos Kontoyannis (chairman) and Mr. Konstantinos Psaltis (member).

We have established a Nominating Committee comprised of two members, which, as directed by its written charter, is responsible for identifying, evaluating and making recommendations to the board of directors concerning individuals for selections as director nominees for the next annual meeting of stockholders or to otherwise fill board of director vacancies. The members of the Nominating Committee are Mr. Konstantinos Psaltis (chairman) and Mr. Kyriacos Riris (member).

We have established an Executive Committee comprised of the four executive directors, Mr. Simeon Palios (chairman), Mr. Anastasios Margaronis (member), Mr. Ioannis Zafirakis (member), and Mrs. Semiramis Paliou (member). The Executive Committee has, to the extent permitted by law, the powers of the Board of Directors in the management of the business and affairs of the Company.

We also maintain directors' and officers' insurance, pursuant to which we provide insurance coverage against certain liabilities to which our directors and officers may be subject, including liability incurred under U.S. securities law. Our executive directors have employment agreements, which, if terminated without cause, entitle them to continue receiving their basic salary through the date of the agreement's expiration.

D. Employees

We crew our vessels primarily with Greek officers and Filipino officers and seamen and may also employ seamen from Poland, Romania and Ukraine. DSS and DWM are responsible for identifying the appropriate officers and seamen mainly through crewing agencies. The crewing agencies handle each seaman's training, travel and payroll. The management companies ensure that all our seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Additionally, our seafaring employees perform most commissioning work and supervise work at shipyards and drydock facilities. We typically man our vessels with more crew members than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties.

The following table presents the number of shoreside personnel employed by DSS and the number of seafaring personnel employed by our vessel-owning subsidiaries as at December 31, 2019, 2018 and 2017.

	Year Ended December 31,		
	2019	2018	2017
Shoreside	111	115	93
Seafaring	914	926	1,006
Total	1,025	1,041	1,099

E. Share Ownership

With respect to the total amount of common shares and Series B Preferred Shares owned by our officers and directors, individually and as a group, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders."

Item 7. Major Shareholders and Related Party Transactions**A. Major Shareholders**

The following table sets forth information regarding ownership of our common stock of which we are aware as of March 30, 2020, for (i) beneficial owners of five percent or more of our common stock and (ii) our officers and directors, individually and as a group. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held.

Title of Class	Identity of Person or Group	Number of Shares Owned	Percent of Class	*
Common Stock, par value \$0.01	Simeon Palios (1)	16,103,998	18.0%	
	Anastasios Margaronis (2)	7,189,791	8.1%	
	Franklin Resources Inc. (3)	7,778,652	8.7%	
	Kopernik Global Investors, LLC (4)	4,977,084	5.6%	
	Hosking Partners LLP (5)	5,484,364	6.1%	
	All officers and directors as a group (6)	27,205,386	30.5%	

* Based on 89,275,002 common shares outstanding as of March 30, 2020.

- (1) Mr. Simeon Palios indirectly may be deemed to beneficially own 16,103,998 shares beneficially owned by Steamship Shipbroking Enterprises Inc. (formerly Diana Enterprises Inc.), including 15,929,797 shares beneficially owned through Taracan Investments S.A. and 174,201 shares beneficially owned through Limon Compania Financiera S.A., as the result of his ability to control the vote and disposition of such entities. As of December 31, 2017, 2018 and 2019, Mr. Simeon Palios owned indirectly 22.5%, 24.3% and 17.0%, respectively, of our outstanding common stock. Additionally, on January 31, 2019, we issued 10,675 shares of newly designated Series C Preferred Stock, par value \$0.01 per share, to Taracan. The Series C Preferred Stock will vote with our common shares and each share of the Series C Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the common stockholders of the Issuer. Through his beneficial ownership of common shares and shares of Series C Preferred Stock, Palios currently controls 26.6% of the vote of any matter submitted to the vote of the common shareholders.
- (2) Mr. Anastasios Margaronis, our President and a member of our board of directors may be deemed to beneficially own Anamar Investments Inc. and Coronis Investments Inc. as the result of his ability to control the vote and disposition of such entities, for an aggregate of 7,189,791 shares.
- (3) This information is derived from a Schedule 13G/A filed with the SEC on February 4, 2020, adjusting the percentage figure based on the common shares issued and outstanding as of the date of this report.
- (4) This information is derived from a Schedule 13G/A filed with the SEC on February 14, 2020, adjusting the percentage figure based on the common shares issued and outstanding as of the date of this report.
- (5) This information is derived from a Schedule 13G filed with the SEC on January 31, 2020, adjusting the percentage figure based on the common shares issued and outstanding as of the date of this report.
- (6) Mr. Simeon Palios and Mr. Anastasios Margaronis are our only directors or officers that beneficially own 5% or more of our outstanding common stock. Mr. Ioannis Zafirakis may be deemed to beneficially own 1,276,580 shares, or 1.4% of our outstanding common stock, beneficially owned through Abra Marinvest Inc.; and Mrs. Semiramis Paliou may be deemed to beneficially own 1,351,775 shares, or 1.5% of our outstanding common stock, beneficially owned through 4 Sweet Dreams S.A. All other officers and directors each own less than 1% of our outstanding common stock. In addition, Abra Marinvest Inc. owns 55,390, or 2.1% of the outstanding Series B Preferred Shares. All officers and directors as a group own 63,550, or 2.4% of our outstanding Series B Preferred Shares.

As of March 27, 2020, we had 119 shareholders of record, 97 of which were located in the United States and held an aggregate of 68,076,709 of our common shares, representing 76.3% of our outstanding common shares. However, one of the U.S. shareholders of record is CEDE & CO., a nominee of The Depository Trust Company, which held 68,066,322 of our common shares as of that date. Accordingly, we believe that the shares held by CEDE & CO. include common shares beneficially owned by both holders in the United States and non-U.S. beneficial owners. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

Holders of the Series B Preferred Shares generally have no voting rights except (1) in respect of amendments to the Articles of Incorporation which would adversely alter the preferences, powers or rights of the Series B Preferred Shares or (2) in the event that we propose to issue any parity stock if the cumulative dividends payable on outstanding Preferred Stock are in arrears or any senior stock. However, if and whenever dividends payable on the Series B Preferred Shares are in arrears for six or more quarterly periods, whether or not consecutive, holders of Series B Preferred Shares (voting together as a class with all other classes or series of parity stock upon which like voting rights have been conferred and are exercisable) will be entitled to elect one additional director to serve on our board of directors until such time as all accumulated and unpaid dividends on the Series B Preferred Shares have been paid in full.

B. Related Party Transactions

Series C Preferred Stock

In January 2019, we issued 10,675 shares of newly-designated Series C Preferred Stock, par value \$0.01 per share, to an affiliate of our Chairman and Chief Executive Officer, Mr. Simeon Palios, for an aggregate purchase price of approximately \$1.07 million. The Series C Preferred Stock vote with the common shares of the Company, and each share entitles the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Company. The Series C Preferred Stock has no dividend or liquidation rights and cannot be transferred without the consent of the Company except to the holder's affiliates and immediate family members. The issuance of shares of Series C Preferred Stock was approved by an independent committee of the Board of Directors, which received a fairness opinion from an independent third party that the transaction was fair from a financial point of view to the Issuer.

Steamship Shipbroking Enterprises Inc.

Steamship, an affiliated entity that is controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides to us brokerage services for an annual fee pursuant to a Brokerage Services Agreement. In 2019, brokerage fees amounted to \$2.00 million. The terms of this relationship are currently governed by a Brokerage Services Agreement dated November 21, 2018 and amended on April 1, 2019, due to expire on March 31, 2020.

Altair Travel Agency S.A.

Altair Travel Agency S.A., or Altair, an affiliated entity that is controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides us with travel related services. Travel related expenses in 2019, amounted to \$2.0 million. We believe that the amounts that we pay to Altair Travel Agency S.A. for acquiring tickets and other travel related services are no greater than fees we would pay to an unrelated third party for comparable services.

Performance Shipping, Non-Competition Agreement

On March 1, 2013, we entered into an amended and restated non-competition agreement with Performance Shipping, where we have agreed that, as long as any of our current or continuing executive officers also serves as an executive for Performance Shipping, and for six months thereafter, we will not acquire or charter any vessel, or otherwise operate in, the containership sector and Performance Shipping will not acquire or charter any vessel, or otherwise operate in, the dry bulk sector.

Performance Shipping, Series C Preferred Stock

On May 30, 2017, we acquired 100 shares of newly-designated Series C Preferred Stock, par value \$0.01 per share, of Performance Shipping, in exchange for a reduction of \$3.0 million in the principal amount of a loan outstanding as of that date. The Series C Preferred Stock has no dividend or liquidation rights. The Series C Preferred Stock votes with the common shares of Performance Shipping and each share of the Series C Preferred Stock entitles the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates does not exceed 49.0%, on all matters submitted to a vote of the stockholders of Performance Shipping. The acquisition of shares of Series C Preferred Stock was approved by an Independent Committee of our Board of Directors. In February 2020, we received an offer from Performance Shipping to redeem the Series C Preferred Stock owned by the Company for an aggregate price of \$1.5 million. The Company's Board of Directors formed a special committee to evaluate the transaction with the assistance of an independent financial advisor. The transaction was recommended by the special committee to the Board of Directors, which resolved to accept the offer. The Series C Preferred Shares were transferred to Performance Shipping against the payment of the purchase price of \$1.5 million and the sale closed on March 27, 2020 with the receipt of the related funds by Performance Shipping.

Diana Wilhelmsen Management Limited

Diana Wilhelmsen Management Limited, or DWM, is a 50/50 joint venture which provides management services to certain vessels in our fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues. Management fees for 2019 amounted to \$2.2 million, whereas commercial fees amounted to about \$0.4 million.

Sale of vessels

In February 2019, the Company signed, through two separate wholly-owned subsidiaries, two Memoranda of Agreement to sell to two affiliated parties, the vessels *Danae* and *Dione*, each a 2001-built dry bulk vessel for \$7.2 million each. The sale of the vessels was approved by disinterested directors of the Company and the vessels were sold at a price equal to the higher of two independent broker valuations. Both vessels were delivered to their new buyers in April 2019.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial information

A. Consolidated statements and other financial information

See "Item 18. Financial Statements."

Legal Proceedings

We have not been involved in any legal proceedings which may have, or have had, a significant effect on our business, financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our business, financial position, results of operations or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Dividend Policy

Our board of directors reviews and amends our dividend policy from time to time in light of our business plans and other factors. As of November 2008, our board of directors has suspended the payment of dividends on our common shares, with the exception of a stock dividend of the shares of Performance Shipping representing 80% of our interest at that date, distributed to all shareholders on a pro-rata basis as a result of the partial spin-off of Performance Shipping, effective January 19, 2011.

We believe that the suspension of dividend payments has positioned us better in a recently depressed market and has enhanced our flexibility by permitting cash flow that would have been devoted to dividends to be used for opportunities that have arisen, and may continue to arise in the marketplace, such as funding our operations, acquiring vessels and servicing our debt.

Marshall Islands law generally prohibits the payment of dividends other than from surplus or when a company is insolvent or if the payment of the dividend would render the company insolvent. Also, our loan facilities and Bond prohibit the payment of dividends should an event of default arise.

We believe that, under current law, any dividends that we have paid and may pay in the future from earnings and profits constitute "qualified dividend income" and as such are generally subject to a 20% United States federal income tax rate with respect to non-corporate United States shareholders. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States shareholder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. Please see the section of this annual report entitled "Taxation" under Item 10.E for additional information relating to the tax treatment of our dividend payments.

Cumulative dividends on our Series B Preferred Shares are payable on each January 15, April 15, July 15 and October 15, when, as and if declared by our board of directors or any authorized committee thereof out of legally available funds for such purpose. The dividend rate for our Series B Preferred Shares is 8.875% per annum per \$25.00 of liquidation preference per share (equal to \$2.21875 per annum per share) and is not subject to adjustment. Since February 14, 2019, we may redeem, in whole or from time to time in part, the Series B Preferred Shares at a redemption price of \$25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared.

Marshall Islands law provides that we may pay dividends on and redeem the Series B Preferred Shares only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus, which essentially represents our retained earnings and the excess of consideration received by us for the sale of shares above the par value of the shares. In addition, under Marshall Islands law we may not pay dividends on or redeem Series B Preferred Shares if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report, other than those described in note 13 "Subsequent events" of our annual consolidated financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

The trading market for shares of our common stock is the NYSE, on which our shares trade under the symbol "DSX". Our Series B Preferred Stock has traded on the NYSE under the symbol "DSXPRB" since February 21, 2014.

B. Plan of distribution

Not Applicable.

C. Markets

Our common shares have traded on the NYSE since March 23, 2005 under the symbol "DSX," our Series B Preferred Stock has traded on the NYSE under the symbol "DSXPRB" since February 21, 2014, and our 8.5% Senior Notes due 2020 have traded on the NYSE since May 29, 2015 and until redemption in October 2018, under the symbol "DSXN". Since December 4, 2018, our 9.500% Senior Unsecured Bond due 2023 commenced trading on the Oslo Stock Exchange, under the symbol "DIASH01."

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share capital

Not Applicable.

B. Memorandum and articles of association

Our current amended and restated articles of incorporation have been filed as exhibit 1 to our Form 6-K filed with the SEC on May 29, 2008 with file number 001-32458, and our current amended and restated bylaws have been filed as exhibit 3.2 to our Form F-3 filed with the SEC on May 6, 2009 with file number 333-159016. The information contained in these exhibits is incorporated by reference herein.

Information regarding the rights, preferences and restrictions attaching to each class of our shares is described in the section entitled "Description of Capital Stock" in the accompanying prospectus to our effective Registration Statement on Form F-3 filed with the SEC on June 6, 2018 with file number 333-225964, including any subsequent amendments or reports filed for the purpose of updating such description, provided that since the date of that Registration Statement, (i) the number of our outstanding shares of common stock has increased to 89,275,002 as of March 30, 2020, and (ii) the Stockholder Rights Plan described therein has been replaced by a Stockholders Rights Agreement dated as of January 15, 2016, as described below under "Stockholders Rights Agreement," and (iii) in January 2019, we issued 10,675 shares of newly-designated Series C Preferred Stock, par value \$0.01 per share. For additional information about our Series B Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the SEC on February 13, 2014 and incorporated by reference herein. For additional information about our Series C Preferred Shares, please see the Form 6-K filed with the SEC on February 6, 2019 and incorporated by reference herein.

Stockholders Rights Agreement

On January 15, 2016, we entered into a Stockholders Rights Agreement with Computershare Trust Company, N.A., as Rights Agent, to replace the Amended and Restated Stockholders Rights Agreement, dated October 7, 2008.

Under the Stockholders Rights Agreement, we declared a dividend payable of one preferred stock purchase right, or Right, for each share of common stock outstanding at the close of business on January 26, 2016. Each Right entitles the registered holder to purchase from us one one-thousandth of a share of Series A participating preferred stock, par value \$0.01 per share, at an exercise price of \$40.00 per share. The Rights will separate from the common stock and become exercisable only if a person or group acquires beneficial ownership of 18.5% or more of our common stock (including through entry into certain derivative positions) in a transaction not approved by our Board of Directors. In that situation, each holder of a Right (other than the acquiring person, whose Rights will become void and will not be exercisable) will have the right to purchase, upon payment of the exercise price, a number of shares of our common stock having a then-current market value equal to twice the exercise price. In addition, if the Company is acquired in a merger or other business combination after an acquiring person acquires 18.5% or more of our common stock, each holder of the Right will thereafter have the right to purchase, upon payment of the exercise price, a number of shares of common stock of the acquiring person having a then-current market value equal to twice the exercise price. The acquiring person will not be entitled to exercise these Rights. Under the Stockholders Rights Agreement's terms, it will expire on January 14, 2026. A copy of the Stockholders Rights Agreement and a summary of its terms are contained in the Form 8-A12B filed with the SEC on January 15, 2016, with file number 001-32458.

C. Material contracts

Attached as exhibits to this annual report are the contracts we consider to be both material and not entered into in the ordinary course of business, which (i) are to be performed in whole or in part on or after the filing date of this annual report or (ii) were entered into not more than two years before the filing date of this annual report. Other than these agreements, we have no material contracts, other than contracts entered into in the ordinary course of business, to which the Company or any member of the group is a party. A description of these is included in our description of our agreements generally; we refer you to Item 5.B for a discussion of our loan facilities, and Item 7.B for a discussion of our agreements with companies controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios.

D. Exchange Controls

Under Marshall Islands, Panamanian, Cypriot and Greek law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our securities.

E. Taxation

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations of the ownership and disposition by a U.S. Holder and a Non-U.S. Holder, each as defined below, of the common stock. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities or commodities, financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, persons liable for the alternative minimum tax, persons who hold common stock as part of a straddle, hedge, conversion transaction or integrated investment, U.S. Holders whose functional currency is not the United States dollar, persons required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an "applicable financial statement," investors subject to the "base erosion and anti-avoidance" tax and investors that own, actually or under applicable constructive ownership rules, 10% or more of the Company's common stock, may be subject to special rules. This discussion deals only with holders who hold the common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of common stock.

Marshall Islands Tax Considerations

The Company is incorporated in the Marshall Islands. Under current Marshall Islands law, the company is not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

United States Federal Income Taxation

The following discussion is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury Department regulations, (the "Treasury Regulations"), administrative rulings, pronouncements and judicial decisions, all as of the date of this Annual Report. This discussion assumes that we do not have an office or other fixed place of business in the United States. Unless the context otherwise requires, the reference to Company below shall be meant to refer to both the Company and its vessel-owning and operating subsidiaries.

Taxation of the Company's Shipping Income

In General

The Company anticipates that it will derive substantially all of its gross income from the use and operation of vessels in international commerce and that this income will principally consist of freights from the transportation of cargoes, hire or lease from time or voyage charters and the performance of services directly related thereto, which the Company refers to as "Shipping Income."

Shipping Income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50% derived from sources within the United States. Shipping Income attributable to transportation that both begins and ends in the United States will be considered to be 100% derived from sources within the United States. The Company is not permitted by law to engage in transportation that gives rise to 100% U.S. source Shipping Income. Shipping Income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside the United States. Shipping Income derived from sources outside the United States will not be subject to U.S. federal income tax.

Based upon the Company's anticipated shipping operations, the Company's vessels will operate in various parts of the world, including to or from U.S. ports. Unless exempt from U.S. federal income taxation under Section 883 of the Code, the Company will be subject to U.S. federal income taxation, in the manner discussed below, to the extent its Shipping Income is considered derived from sources within the United States.

In the year ended December 31, 2019, approximately 7.3% of the Company's shipping income was attributable to the transportation of cargoes either to or from a U.S. port. Accordingly, approximately 3.7% of the Company's shipping income would be treated as derived from U.S. sources for the year ended December 31, 2019. In the absence of exemption from U.S. federal income tax under Section 883 of the Code, the Company would have been subject to a 4% tax on its gross U.S. source Shipping Income, equal to \$323,455 for the year ended December 31, 2019.

Application of Exemption under Section 883 of the Code

Under the relevant provisions of Section 883 of the Code and the final Treasury Regulations promulgated thereunder, a foreign corporation will be exempt from U.S. federal income taxation on its U.S. source Shipping Income if:

- (1) It is organized in a qualified foreign country which, as defined, is one that grants an equivalent exemption from tax to corporations organized in the United States in respect of the Shipping Income for which exemption is being claimed under Section 883 of the Code, or the "Country of Organization Requirement"; and
- (2) It can satisfy any one of the following two stock ownership requirements:
 - more than 50% of its stock, in terms of value, is beneficially owned by qualified shareholders which, as defined, includes individuals who are residents of a qualified foreign country, or the "50% Ownership Test"; or
 - its stock is "primarily and regularly" traded on an established securities market located in the United States or a qualified foreign country, or the "Publicly Traded Test".

The U.S. Treasury Department has recognized the Marshall Islands, Panama and Cyprus the countries of incorporation of each of the Company and its subsidiaries that earns Shipping Income, as a qualified foreign country. Accordingly, the Company and each of the subsidiaries satisfy the Country of Organization Requirement.

For the 2019 taxable year, the Company believes that it is unlikely that the 50% Ownership Test was satisfied. Therefore, the eligibility of the Company and each subsidiary to qualify for exemption under Section 883 of the Code is wholly dependent upon the Company's ability to satisfy the Publicly Traded Test.

Under the Treasury Regulations, stock of a foreign corporation is considered "primarily traded" on an established securities market in a country if the number of shares of each class of stock that is traded during the taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country. The Company's common stock was "primarily traded" on the NYSE during the 2019 taxable year.

Under the Treasury Regulations, the Company's common stock will be considered to be "regularly traded" on the NYSE if: (1) more than 50% of its common stock, by voting power and total value, is listed on the NYSE, referred to as the "Listing Threshold"; (2) its common stock is traded on the NYSE, other than in minimal quantities, on at least 60 days during the taxable year (or one-sixth of the days during a short taxable year), which is referred to as the "Trading Frequency Test"; and (3) the aggregate number of shares of its common stock traded on the NYSE during the taxable year is at least 10% of the average number of shares of its common stock outstanding during such taxable year (as appropriately adjusted in the case of a short taxable year), which is referred to as the "Trading Volume Test". The Trading Frequency Test and Trading Volume Test are deemed to be satisfied under the Treasury Regulations if the Company's common stock is regularly quoted by dealers making a market in the common stock.

The Company believes that its common stock has satisfied the Listing Threshold, as well as the Trading Frequency Test and Trading Volume Tests, during the 2019 taxable year.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that stock of a foreign corporation will not be considered to be "regularly traded" on an established securities market for any taxable year during which 50% or more of such stock is owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons, or "5% Shareholders", who each own 5% or more of the value of such stock, or the "5% Override Rule." For purposes of determining the persons who are 5% Shareholders, a foreign corporation may rely on Schedules 13D and 13G filings with the SEC.

Based on Schedules 13D and 13G filings, during the 2019 taxable year, less than 50% of the Company's common stock was owned by 5% Shareholders. Therefore, the Company believes that it is not subject to the 5% Override Rule and thus has satisfied the Publicly Traded Test for the 2019 taxable year. However, there can be no assurance that the Company will continue to satisfy the Publicly Traded Test in future taxable years. For example, the Company could be subject to the 5% Override Rule if another 5% Shareholder in combination with the Company's existing 5% Shareholders were to own 50% or more of the Company's common stock. In such a case, the Company would be subject to the 5% Override Rule unless it could establish that, among the shares of the common stock owned by the 5% Shareholders, sufficient shares are owned by qualified shareholders, for purposes of Section 883 of the Code, to preclude non-qualified shareholders from owning 50% or more of the Company's common stock for more than half the number of days during the taxable year. The requirements of establishing this exception to the 5% Override Rule are onerous and there is no assurance the Company will be able to satisfy them.

Based on the foregoing, the Company believes that it satisfied the Publicly Traded Test and therefore believes that it was exempt from U.S. federal income tax under Section 883 of the Code, during the 2019 taxable year, and intends to take this position on its 2019 U.S. federal income tax returns.

Taxation in Absence of Exemption Under Section 883 of the Code

To the extent the benefits of Section 883 of the Code are unavailable with respect to any item of U.S. source Shipping Income, the Company and each of its subsidiaries would be subject to a 4% tax imposed on such income by Section 887 of the Code on a gross basis, without the benefit of deductions, which is referred to as the "4% Gross Basis Tax Regime". Since under the sourcing rules described above, no more than 50% of the Company's Shipping Income would be treated as being derived from U.S. sources, the maximum effective rate of U.S. federal income tax on the Company's Shipping Income would never exceed 2% under the 4% Gross Basis Tax Regime.

Based on its U.S. source Shipping Income for the 2019 taxable year and in the absence of exemption under Section 883 of the Code, the Company would be subject to \$323,455 of U.S. federal income tax under the 4% Gross Basis Tax Regime.

The 4% Gross Basis Tax Regime would not apply to U.S. source Shipping Income to the extent considered to be "effectively connected" with the conduct of a U.S. trade or business. In the absence of exemption under Section 883 of the Code, such "effectively connected" U.S. source Shipping Income, net of applicable deductions, would be subject to U.S. federal income tax currently imposed at a rate of 21%. In addition, earnings "effectively connected" with the conduct of such U.S. trade or business, as determined after allowance for certain adjustments, and certain interest paid or deemed paid attributable to the conduct of the U.S. trade or business may be subject to U.S. federal branch profits tax imposed at a rate of 30%. The Company's U.S. source Shipping Income would be considered "effectively connected" with the conduct of a U.S. trade or business only if: (1) the Company has, or is considered to have, a fixed place or business in the United States involved in the earning of Shipping Income; and (2) substantially all of the Company's U.S. source Shipping Income is attributable to regularly scheduled transportation, such as the operation of a vessel that followed a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States, or, in the case of income from the chartering of a vessel, is attributable to a fixed place of business in the United States. We do not intend to have, or permit circumstances that would result in having a vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S. source Shipping Income will be effectively connected with the conduct of a U.S. trade or business.

Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883 of the Code, we will not be subject to U.S. federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

United States Taxation of U.S. Holders

The following is a discussion of the material U.S. federal income tax considerations relevant to an investment decision by a U.S. Holder, as defined below, with respect to our common stock. This discussion does not purport to deal with the tax consequences of owning our common stock to all categories of investors, some of which may be subject to special rules. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of our common stock.

As used herein, the term "U.S. Holder" means a beneficial owner of our common stock that (i) is a U.S. citizen or resident, a U.S. corporation or other U.S. entity taxable as a corporation, an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (a) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) it has an election in place to be treated as a United States person; and (ii) owns the common stock as a capital asset, generally, for investment purposes.

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 own tax advisor on this issue.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by the Company with respect to its common stock to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of the Company's earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because the Company is not a U.S. corporation, U.S. Holders that are corporations will generally not be entitled to claim a dividends-received deduction with respect to any distributions they receive from the Company.

Dividends paid to a U.S. Holder which is an individual, trust, or estate, referred to herein as a "U.S. Non-Corporate Holder," will generally be treated as "qualified dividend income" that is taxable to Holders at preferential U.S. federal income tax rates, provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the NYSE on which the common stock is listed); (2) the Company is not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which the Company does not believe it is, has been or will be); (3) the U.S. Non-Corporate Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend; and (4) the U.S. Non-Corporate Holder is not under an obligation (whether pursuant to a short sale or otherwise) to make payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a U.S. Non-Corporate Holder. Any dividends paid by the Company which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Non-Corporate Holder. Special rules may apply to any "extraordinary dividend," generally, a dividend paid by us in an amount which is equal to or in excess of ten percent of a U.S. Holder's adjusted tax basis, or fair market value in certain circumstances, in a share of our common stock. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Disposition of Common Stock

Subject to the discussion of the PFIC rules below, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of the Company's common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period in the common stock is greater than one year at the time of the sale, exchange or other disposition. Long-term capital gain of a U.S. Non-Corporate Holder is taxable at preferential U.S. Federal income tax rates. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

PFIC Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company, or a "PFIC", for U.S. federal income tax purposes. In general, the Company will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such Holder held the Company's common stock, either:

- at least 75% of the Company's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), or
- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, such passive income.

For purposes of determining whether the Company is a PFIC, the Company will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by the Company in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute passive income unless the Company is treated under specific rules as deriving its rental income in the active conduct of a trade or business.

Based on the Company's current operations and future projections, the Company does not believe that it is, nor does it expect to become, a PFIC with respect to any taxable year. Although there is no legal authority directly on point, the Company's belief is based principally on the position that, for purposes of determining whether the Company is a PFIC, the gross income the Company derives or is deemed to derive from the time chartering and voyage chartering activities of its wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, the Company believes that such income does not constitute passive income, and the assets that the Company or its wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, do not constitute assets that produce or are held for the production of passive income for purposes of determining whether the Company is a PFIC. The Company believes there is substantial legal authority supporting its position consisting of case law and Internal Revenue Service, or the "IRS", pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. It should be noted that in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with this position. In addition, although the Company intends to conduct its affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, there can be no assurance that the nature of its operations will not change in the future.

As discussed more fully below, if the Company were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different U.S. federal income taxation rules depending on whether the U.S. Holder makes an election to treat the Company as a "Qualified Electing Fund," which election is referred to as a "QEF Election." As discussed below, as an alternative to making a QEF Election, a U.S. Holder should be able to make a "mark-to-market" election with respect to the common stock, which election is referred to as a "Mark-to-Market Election". If the Company were to be treated as a PFIC, a U.S. Holder would be required to file with respect to taxable years ending on or after December 31, 2013 IRS Form 8621 to report certain information regarding the Company.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF Election, which U.S. Holder is referred to as an "Electing Holder", the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of the Company's ordinary earnings and net capital gain, if any, for the Company's taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received by the Electing Holder from the Company. The Electing Holder's adjusted tax basis in the common stock will be increased to reflect amounts included in the Electing Holder's income. Distributions received by an Electing Holder that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the common stock.

Taxation of U.S. Holders Making a Mark-to-Market Election

Alternatively, if the Company were to be treated as a PFIC for any taxable year and, as anticipated, the common stock is treated as "marketable stock," a U.S. Holder would be allowed to make a Mark-to-Market Election with respect to the Company's common stock. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such Holder's adjusted tax basis in the common stock. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the Mark-to-Market Election. A U.S. Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

Taxation of U.S. Holders Not Making a Timely QEF Election or Mark-to-Market Election

Finally, if the Company were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF Election or a Mark-to-Market Election for that year, whom is referred to as a "Non-Electing Holder", would be subject to special U.S. federal income tax rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three (3) preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange or other disposition of the common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;
- the amount allocated to the current taxable year and any taxable years before the Company became a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of the common stock. If a Non-Electing Holder who is an individual dies while owning the common stock, such Holder's successor generally would not receive a step-up in tax basis with respect to such stock.

U.S. Federal Income Taxation of "Non-U.S. Holders"

A beneficial owner of our common stock that is not a U.S. Holder (other than a partnership) is referred to herein as a "Non-U.S. Holder."

Dividends on Common Stock

Non-U.S. Holders generally will not be subject to U.S. federal income or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to those dividends, that income is taxable in the United States only if attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock

Non-U.S. Holders generally will not be subject to U.S. federal income or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to that gain, the gain is taxable in the United States only if attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from our common stock, including dividends and the gain from the sale, exchange or other disposition of the common stock, that is effectively connected with the conduct of that U.S. trade or business will generally be subject to U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, such Holder's earnings and profits that are attributable to the effectively connected income, subject to certain adjustments, may be subject to an additional U.S. federal branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to a holder will be subject to U.S. federal information reporting requirements. Such payments will also be subject to U.S. federal "backup withholding" if paid to a non-corporate U.S. holder who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he has failed to report all interest or dividends required to be shown on his U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an applicable IRS Form W-8.

If a holder sells his common stock to or through a U.S. office of a broker, the payment of the proceeds is subject to both backup withholding and information reporting unless the holder establishes an exemption. If a holder sells his common stock through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to the holder outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, including a payment made to a holder outside the United States, if the holder sells his common stock through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States.

Backup withholding is not an additional tax. Rather, a taxpayer generally may obtain a refund of any amounts withheld under backup withholding rules that exceed the taxpayer's U.S. federal income tax liability by filing a refund claim with the IRS.

U.S. Holders who are individuals (and to the extent specified in applicable Treasury Regulations, certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury Regulations). Specified foreign financial assets would include, among other assets, our common stock, unless the common stock is held through an account maintained with a U.S. financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event a U.S. Holder who is an individual (and to the extent specified in applicable Treasury regulations, a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three (3) years after the date that the required information is filed.

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits are available from the SEC's website <http://www.sec.gov>.

I. Subsidiary information

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

We are exposed to market risks associated with changes in interest rates relating to our loan facilities, according to which we pay interest at LIBOR plus a margin; and as such increases in interest rates could affect our results of operations. An increase of 1% in the interest rates of our loan facilities bearing a variable interest rate during 2019, could have increased our interest cost from \$28.0 million \$32.0 million.

We will continue to have debt outstanding, which could impact our results of operations and financial condition. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Global financial markets and economic conditions have been, and continue to be, volatile. Specially, due to the Covid19 outbreak, credit markets and the debt and equity capital markets have been distressed, and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing.

As of December 31, 2019, 2018 and 2017 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Currency and Exchange Rates

We generate all of our revenues in U.S. dollars but currently incur less than half of our operating expenses (around 36% in 2019 and around 37% in 2018) and about half of our general and administrative expenses (around 55% in 2019 and around 52% in 2018) in currencies other than the U.S. dollar, primarily the Euro. For accounting purposes, including throughout this annual report, expenses incurred in Euros are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. Because a significant portion of our expenses are incurred in currencies other than the U.S. dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. dollar and the Euro, which could affect our results of operations in future periods. Currently, we do not consider the risk from exchange rate fluctuations to be material for our results of operations, as during 2019 and 2018, these non-US dollar expenses represented 22% and 22%, respectively of our revenues and therefore, we are not engaged in extensive derivative instruments to hedge a considerable part of those expenses.

While we historically have not mitigated the risk associated with exchange rate fluctuations through the use of financial derivatives, we may determine to employ such instruments from time to time in the future in order to minimize this risk. Our use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

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

b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. GAAP.

Management has conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2019 is effective.

The registered public accounting firm that audited the financial statements included in this annual report containing the disclosure required by this Item 15 has issued an attestation report on management's assessment of our internal control over financial reporting.

c) Attestation Report of Independent Registered Public Accounting Firm

The attestation report on the Company's internal control over financial reporting issued by the registered public accounting firm that audited the Company's consolidated financial statements, Ernst Young (Hellas) Certified Auditors Accountants S.A., appears on page F-3 of the financial statements filed as part of this annual report.

d) Changes in Internal Control over Financial Reporting

None.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that both the members of our Audit Committee, Mr. William Lawes and Mr. Apostolos Kontoyannis, qualify as “Audit Committee financial experts” and that they are both considered to be “independent” according to SEC rules.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to officers, directors, employees and agents. Our code of ethics is posted on our website, <http://www.dianashippinginc.com>, under “About Us—Code of Ethics” and is filed as Exhibit 11.1 to this Annual Report. Copies of our code of ethics are available in print, free of charge, upon request to Diana Shipping Inc., Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. We intend to satisfy any disclosure requirements regarding any amendment to, or waiver from, a provision of this code of ethics by posting such information on our website.

Item 16C. Principal Accountant Fees and Services

a) Audit Fees

Our principal accountants, Ernst and Young (Hellas), Certified Auditors Accountants S.A., have billed us for audit services. Audit fees in 2019 and 2018 amounted to €420,000 and €420,000, or approximately \$485,819 and \$517,471, respectively, and relate to audit services provided in connection with timely AS 4105 reviews, the audit of our consolidated financial statements and the audit of internal control over financial reporting.

b) Audit-Related Fees

Audit related fees in 2018 amounted to €9,975, or approximately \$11,677, and relate to audit services provided in connection with the Company’s filings with the SEC. There were no such fees in 2019.

c) Tax Fees

During 2019 and 2018, we received services for which fees amounted to \$18,000 and \$18,000, respectively, for the calculation of Earnings and Profits of the Company.

d) All Other Fees

None.

e) Audit Committee’s Pre-Approval Policies and Procedures

Our Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of our independent auditors. As part of this responsibility, the Audit Committee pre-approves the audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditor’s independence from the Company. The Audit Committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved.

f) Audit Work Performed by Other than Principal Accountant if Greater than 50%

Not applicable.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Our Audit Committee consists of two independent members of our Board of Directors. Otherwise, our Audit Committee conforms to each other requirement applicable to audit committees as required by the applicable listing standards of the NYSE.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 23, 2014, we announced that our Board of Directors authorized a share repurchase plan for up to \$100 million of the Company's common shares. The plan does not have an expiration date. As of December 31, 2019 and the date of this report, there is an outstanding value of about \$72 million of common shares that can be repurchased under the plan.

On November 21, 2018, we announced the commencement of a tender offer to purchase up to 4,166,666 shares, or about 3.86%, of our then outstanding common stock using funds available from cash and cash equivalents at a price of \$3.60 per share ("Tender Offer No. 1"). On December 31, 2018, we announced that we purchased a total of 4,166,666 shares in connection with Tender Offer No. 1 for an aggregate purchase price of US\$14,999,997.60.

On February 27, 2019, we announced the commencement of a tender offer to purchase up to 5,178,571 shares, or about 4.9%, of our then outstanding common stock using funds available from cash and cash equivalents at a price of \$2.80 per share ("Tender Offer No. 2"). On April 2, 2019, we announced that we purchased a total of 3,889,386.6175 shares in connection with Tender Offer No. 2 for an aggregate purchase price of \$10,890,282.53.

On April 15, 2019, we announced the commencement of a tender offer to purchase up to 3,125,000 shares, or about 3.1%, of our then outstanding common stock using funds available from cash and cash equivalents at a price of \$3.20 per share ("Tender Offer No. 3"). On May 14, 2019, we announced that we increased the purchase price to be paid in Tender Offer No. 3 to \$3.40 per share and extended Tender Offer No. 3 to allow additional time for stockholders to tender their shares. On June 5, 2019, we announced that we purchased a total of 3,125,000 shares in connection with Tender Offer No. 3 for an aggregate purchase price of \$10,625,000.

On June 14, 2019, we announced the commencement of a tender offer to purchase up to 2,000,000 shares, or about 2.0%, of our then outstanding common stock using funds available from cash and cash equivalents at a price of \$3.25 per share ("Tender Offer No. 4"). On July 11, 2019, we announced that we increased the purchase price to be paid in Tender Offer No. 4 to \$3.75 per share and extended Tender Offer No. 4 to allow additional time for stockholders to tender their shares. On July 31, 2019, we announced that we purchased a total of 2,000,000 shares in connection with Tender Offer No. 4 for an aggregate purchase price of \$7,500,000.

On September 6, 2019, we announced the commencement of a tender offer to purchase up to 1,408,450 shares, or about 1.5%, of our then outstanding common stock using funds available from cash and cash equivalents at a price of \$3.55 per share ("Tender Offer No. 5"). On September 30, 2019, we announced that we increased the number of shares we offered to purchase from 1,408,450 shares to 2,816,900 shares at the same price of \$3.55 per share and extended Tender Offer No. 5 to allow additional time for stockholders to tender their shares. On October 18, 2019, we announced that we purchased a total of 2,816,900 shares in connection with Tender Offer No. 5 for an aggregate purchase price of \$10,000,000.

On November 12, 2019, we announced the commencement of a tender offer to purchase up to 2,739,726 shares, or about 2.9%, of our then outstanding common stock using funds available from cash and cash equivalents at a price of \$3.65 per share ("Tender Offer No. 6"). On December 18, 2019, we announced that we purchased a total of 2,739,726 shares in connection with Tender Offer No. 6 for an aggregate purchase price of \$10,000,000.

On January 3, 2020, we announced the commencement of a tender offer to purchase up to 3,030,303 shares, or about 3.3%, of its outstanding common stock using funds available from cash and cash equivalents at a price of \$3.30 per share ("Tender Offer No. 7"). On February 10, 2020, we announced that we purchased a total of 3,030,303 shares connection with Tender Offer No. 6 for an aggregate purchase price of \$10,000,000.

In March 2020, we purchased through our share repurchase program 1,088,034 shares of our common stock, par value of \$0.01 per share at an average price of \$1.72 per share, or \$1.9 million.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Overview

Pursuant to an exception for foreign private issuers, we, as a Marshall Islands company, are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. We believe that our established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to our shareholders. In fact, we have voluntarily adopted NYSE required practices, such as (a) having a majority of independent directors, (b) establishing audit, compensation and nominating committees and (c) adopting a Code of Ethics. The significant differences between our corporate governance practices and the NYSE standards are set forth below.

Executive Sessions

The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. As permitted under Marshall Islands law and our bylaws, our non-management directors do not regularly hold executive sessions without management and we do not expect them to do so in the future.

Audit Committee

The NYSE requires, among other things, that a company have an audit committee with a minimum of three members. Our Audit Committee consists of two independent members of our Board of Directors. Our Audit Committee conforms to every other requirement applicable to audit committees set forth in the listing standards of the NYSE.

Shareholder Approval of Equity Compensation Plans

The NYSE requires listed companies to obtain prior shareholder approval to adopt or materially revise any equity compensation plan. As permitted under Marshall Islands law and our amended and restated bylaws, we do not need prior shareholder approval to adopt or revise equity compensation plans, including our equity incentive plan.

Corporate Governance Guidelines

The NYSE requires companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Marshall Islands law and we have not adopted such guidelines.

Share Issuances

In lieu of obtaining shareholder approval prior to the issuance of designated securities, we will comply with provisions of the Marshall Islands Business Corporations Act, which allows the Board of Directors to approve share issuances. Additionally, the NYSE restricts the issuance of super voting stock such as our Series C Preferred Shares. However, pursuant to 313.00 of Section 3 of the NYSE Listed Company Manual, the NYSE will accept any action or issuance relating to the voting rights structure of a non-U.S. company that is in compliance with the NYSE's requirements for domestic companies or that is not prohibited by the company's home country law. We are not subject to such restrictions under our home country, Marshall Islands, law.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

The financial statements required by this Item 18 are filed as a part of this annual report beginning on page F-1.

Item 19. Exhibits

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of Diana Shipping Inc. (originally known as Diana Shipping Investment Corp.) (1)
1.2	Amended and Restated By-laws of the Company (2)
2.1	Form of Common Share Certificate (13)
2.2	Form of Series B Preferred Stock Certificate (16)
2.3	Statement of Designation of the 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares of the Company (3)
2.4	Certificate of Designations of the Series A Participating Preferred Stock of the Company (4)
2.5	Base Indenture, dated May 28, 2015, by and between the Company and Deutsche Bank Trust Company Americas (5)
2.6	First Supplemental Indenture to the Base Indenture, dated May 28, 2015, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 8.500% Senior Notes due 2020 (6)
2.7	Certificate of Designation of Rights, Preferences and Privileges of Series C Preferred Stock of the Company (18)
2.8	Description of Securities **
4.1	Stockholders Rights Agreement dated January 15, 2016 (7)
4.2	2014 Equity Incentive Plan (13)
4.3	Form of Technical Manager Purchase Option Agreement (8)
4.4	Form of Management Agreement (9)
4.5	Loan Agreement with Bremer Landesbank dated October 22, 2009 (17)
4.6	Loan Agreement with the Export-Import Bank of China and DnB Nor Bank ASA dated October 2, 2010 (17)
4.7	Loan Agreement with Emporiki Bank of Greece S.A., dated September 13, 2011 (14)
4.8	First Supplemental Agreement, by and between Bikar Shipping Company Inc., Diana Shipping Inc., DSS and Emporiki Bank of Greece S.A., dated December 11, 2012 (13)
4.9	Second Supplemental Agreement, by and between Bikar Shipping Company Inc., Diana Shipping Inc., DSS and Credit Agricole Corporate and Investment Bank, dated December 13, 2012 (13)
4.10	Loan Agreement, dated May 24, 2013, by and among Erikub Shipping Company Inc., Wotho Shipping Company Inc., DNB Bank ASA, and Export-Import Bank of China (11)
4.11	Loan Agreement, dated January 9, 2014, by and among Taka Shipping Company Inc., Fayo Shipping Company Inc., and Commonwealth Bank of Australia (11)
4.12	Loan Agreement, dated December 18, 2014, by and among Weno Shipping Company Inc., Pulap Shipping Company Inc., the Banks and Financial Institutions listed therein and BNP Paribas (12)
4.13	Loan Agreement, dated March 17, 2015, by and among Knox Shipping Company Inc., Bokak Shipping Company Inc., Jemo Shipping Company Inc., Guam Shipping Company Inc., Palau Shipping Company Inc., Makur Shipping Company Inc., Mandaringina Inc., Vesta Commercial, S.A., the Banks and Financial Institutions listed therein, Nordea Bank Finland Plc and Nordea Bank AB, London Branch (12)
4.14	Administrative Services Agreement, dated October 1, 2013, by and between Diana Shipping Inc. and Diana Shipping Services S.A. (11)

- 4.15 [Amended and Restated Non-Competition Agreement, dated as of March 1, 2013, by and between Diana Shipping Inc. and Diana Containerships Inc. \(renamed to Performance Shipping Inc.\) \(11\)](#)
- 4.16 [Loan Agreement with ABN AMRO Bank N.V., dated March 26, 2015 \(13\)](#)
- 4.17 [Loan Agreement with Danish Ship Finance, dated April 29, 2015 \(13\)](#)
- 4.18 [Joint Venture and Subscription Agreement with Wilhelmsen Ship Management, dated January 16, 2015 \(13\)](#)
- 4.19 [Loan Agreement with BNP Paribas, dated July 22, 2015 \(13\)](#)
- 4.20 [Loan Agreement with ING Bank N.V., dated September 30, 2015 \(13\)](#)
- 4.21 [Loan Agreement with The Export-Import Bank of China, dated January 7, 2016 \(13\)](#)
- 4.22 [Loan Agreement with ABN AMRO Bank N.V., dated March 29, 2016 \(15\)](#)
- 4.23 [Brokerage Services Agreement, dated April 1, 2016, by and between Diana Shipping Inc. and Diana Enterprises Inc. \(15\)](#)
- 4.24 [Loan Agreement with DNB Bank ASA and The Export-Import Bank of China, dated May 10, 2016 \(15\)](#)
- 4.25 [Fourth Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Eluk Shipping Company Inc. and Diana Containerships Inc. \(renamed to Performance Shipping Inc.\), dated September 12, 2016 \(15\)](#)
- 4.26 [Waiver Letter from Commonwealth Bank of Australia dated January 13, 2017 \(15\)](#)
- 4.27 [Amendment to Loan Agreement dated October 2, 2010 with the Export-Import Bank of China and DnB Nor Bank ASA, dated February 15, 2017 \(15\)](#)
- 4.28 [Brokerage Services Agreement, dated April 1, 2019, by and between Diana Shipping Inc. and Steamship Shipbroking Enterprises Inc. \(formerly Diana Enterprises Inc.\)](#)
**
- 4.29 [Fifth Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Kapa Shipping Company Inc. and Diana Containerships Inc. \(renamed to Performance Shipping Inc.\), dated May 30, 2017 \(19\)](#)
- 4.30 [Intercreditor Agreement with Diana Containerships Inc. \(renamed to Performance Shipping Inc.\), dated June 30, 2017 \(19\)](#)
- 4.31 [Subordinated Facility Agreement by and between Diana Containerships Inc. \(renamed to Performance Shipping Inc.\) and Diana Shipping Inc., dated June 30, 2017 \(19\)](#)
- 4.32 [Amendment to Loan Agreement dated October 2, 2010 with the Export-Import Bank of China and DnB Nor Bank ASA, dated May 18, 2017 \(19\)](#)
- 4.33 [Loan Agreement dated July 2018 with BNP Paribas \(20\)](#)
- 4.34 [Registration Document dated as of December 3, 2018, in respect of 9.50% USD 100,000,000 Senior Unsecured Callable Bond Issue 2018/2023 \(20\)](#)
- 4.35 [Securities Note dated as of December 3, 2018, in respect of 9.50% USD 100,000,000 Senior Unsecured Callable Bond Issue 2018/2023 \(20\)](#)
- 4.36 [Summary for Diana Shipping Inc. listing prospectus dated as of December 3, 2018, in respect of 9.50% USD 100,000,000 Senior Unsecured Callable Bond Issue 2018/2023 \(20\)](#)
- 4.37 [Loan Agreement dated March 2019 with DNB Bank ASA \(20\)](#)
- 4.38 [Loan Agreement dated June 2019 with ABM AMRO Bank N.V. **](#)
- 8.1 [Subsidiaries of the Company**](#)
- 11.1 [Amended Code of Ethics \(20\)](#)
- 12.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Principal Executive Officer**](#)
- 12.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Principal Financial Officer**](#)
- 13.1 [Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**](#)
- 13.2 [Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**](#)
- 15.1 [Consent of Independent Registered Public Accounting Firm**](#)
- 101 The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2018 and 2019; (ii) Consolidated Statements of Operations for the years ended December 31, 2017, 2018 and 2019; (iii) Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2017, 2018 and 2019; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017, 2018 and 2019; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2018 and 2019; and (v) the Notes to Consolidated Financial Statements

** Filed herewith.

- (1) Filed as Exhibit 1 to the Company's Form 6-K filed on May 29, 2008.
- (2) Filed as Exhibit 3.1 to the Company's Form 6-K filed on February 13, 2014.
- (3) Filed as Exhibit 3.3 to the Company's Form 8-A filed on February 13, 2014.
- (4) Filed as Exhibit 3.1 to the Company's Form 8-A12B/A filed on January 15, 2016.
- (5) Filed as Exhibit 4.1 to the Company's Form 6-K filed on May 28, 2015.
- (6) Filed as Exhibit 4.2 to the Company's Form 6-K filed on May 28, 2015.
- (7) Filed as Exhibit 4.1 to the Company's Form 8-A12B/A filed on January 15, 2016.
- (8) Filed as an Exhibit to the Company's Registration Statement (File No. 123052) on March 1, 2005.
- (9) Filed as an Exhibit to the Company's Amended Registration Statement (File No. 123052) on March 15, 2005.
- (10) Reserved.
- (11) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 27, 2014.
- (12) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 25, 2015.
- (13) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 28, 2016.
- (14) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on April 20, 2012.
- (15) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on February 17, 2017.
- (16) Filed as Exhibit 4.1 to the Company's Form 8-A12B filed on February 13, 2014.
- (17) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 31, 2011.
- (18) Filed as an Exhibit to the Company's Form 6-K filed on February 6, 2019.
- (19) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 16, 2018.
- (20) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 12, 2019.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

DIANA SHIPPING INC.

/s/ Ioannis Zafirakis
Ioannis Zafirakis
Chief Financial Officer
Dated: March 30, 2020

DIANA SHIPPING INC.
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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Diana Shipping Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Diana Shipping Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income/loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 30, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.

We have served as the Company's auditor since 2004.

Athens, Greece
March 30, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Diana Shipping Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Diana Shipping Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Diana Shipping Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Diana Shipping Inc. as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income/loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated March 30, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.

Athens, Greece
March 30, 2020

DIANA SHIPPING INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2(e))	\$ 107,288	\$ 126,825
Accounts receivable, trade	7,862	2,948
Due from related parties	23	-
Inventories (Note 2(g))	5,526	5,835
Prepaid expenses and other assets	9,210	6,364
Vessel held for sale (Note 4)	7,130	-
Total current assets	<u>137,039</u>	<u>141,972</u>
FIXED ASSETS:		
Vessels, net (Note 4)	882,297	991,403
Property and equipment, net (Note 5)	22,077	22,425
Total fixed assets	<u>904,374</u>	<u>1,013,828</u>
OTHER NON-CURRENT ASSETS:		
Restricted cash (Notes 2(e) and 6)	21,000	24,582
Investments in related parties (Notes 2(v,x) and 3)	1,680	3,263
Other non-current assets	2,941	-
Deferred charges, net (Notes 2(m) and 4)	4,246	4,151
Total assets	<u>\$ 1,071,280</u>	<u>\$ 1,187,796</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt, net of deferred financing costs, current (Note 6)	\$ 40,205	\$ 96,434
Accounts payable, trade and other	11,394	11,073
Due to related parties (Note 3)	85	182
Accrued liabilities	11,268	13,377
Deferred revenue	2,532	4,090
Total current liabilities	<u>65,484</u>	<u>125,156</u>
Long-term debt, net of current portion and deferred financing costs, non-current (Note 6)	434,746	434,113
Other non-current liabilities	986	843
Commitments and contingencies (Note 7)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock (Note 8(a))	26	26
Common stock, \$0.01 par value; 200,000,000 shares authorized and 91,193,339 and 103,764,351 issued and outstanding at December 31, 2019 and 2018, respectively (Note 8(b))	912	1,038
Additional paid-in capital	1,021,633	1,062,645
Accumulated other comprehensive income	109	287
Accumulated deficit	(452,616)	(436,312)
Total stockholders' equity	<u>570,064</u>	<u>627,684</u>
Total liabilities and stockholders' equity	<u>\$ 1,071,280</u>	<u>\$ 1,187,796</u>

The accompanying notes are an integral part of these consolidated financial statements.

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended December 31, 2019, 2018 and 2017
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2019	2018	2017
REVENUES:			
Time charter revenues (Note 2(p))	\$ 220,728	\$ 226,189	\$ 161,897
EXPENSES:			
Voyage expenses (Note 2(p))	13,542	7,405	8,617
Vessel operating expenses (Note 2(q))	90,600	95,510	90,358
Depreciation and amortization of deferred charges (Note 2(l))	48,904	52,206	87,003
General and administrative expenses	28,601	29,518	26,332
Management fees to related party (Note 3)	2,155	2,394	1,883
Impairment loss (Note 4)	13,987	-	442,274
Loss from sale of vessels (Note 4)	6,171	1,448	-
Insurance recoveries, net of other loss (Note 4)	-	-	(10,879)
Other (gain)/loss	(854)	(542)	296
Operating income/(loss)	\$ 17,622	\$ 38,250	\$ (483,987)
OTHER INCOME / (EXPENSES):			
Interest and finance costs (Note 9)	(29,432)	(30,506)	(26,628)
Interest and other income (Note 3(b))	2,858	8,822	4,508
Gain/(loss) from investments (Note 3(b) and 3(d))	(1,583)	14	(5,607)
Total other expenses, net	\$ (28,157)	\$ (21,670)	\$ (27,727)
Net income/(loss)	\$ (10,535)	\$ 16,580	\$ (511,714)
Dividends on series B preferred shares (Notes 8 and 10)	(5,769)	(5,769)	(5,769)
Net income/(loss) attributed to common stockholders	\$ (16,304)	\$ 10,811	\$ (517,483)
Earnings/(loss) per common share, basic and diluted (Note 10)	\$ (0.17)	\$ 0.10	\$ (5.41)
Weighted average number of common shares, basic (Note 10)	95,191,116	103,736,742	95,731,093
Weighted average number of common shares, diluted (Note 10)	95,191,116	104,715,883	95,731,093

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
For the year ended December 31, 2019, 2018 and 2017
(Expressed in thousands of U.S. Dollars)

	2019	2018	2017
Net income/(loss)	\$ (10,535)	\$ 16,580	\$ (511,714)
Other comprehensive income/(loss) (Actuarial income/(loss))	(178)	(7)	109
Comprehensive income/(loss)	\$ (10,713)	\$ 16,573	\$ (511,605)

The accompanying notes are an integral part of these consolidated financial statements.

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the year ended December 31, 2019, 2018 and 2017
(Expressed in thousands of U.S. Dollars – except for share data)

	Preferred Stock Series B		Preferred Stock Series C		Common Stock		Additional Paid-in Capital	Other Comprehensive Income / (Loss)	Retained Earnings/ (Accumulated Deficit)	Total Equity
	# of Shares	Par Value	# of Shares	Par Value	# of Shares	Par Value				
BALANCE, December 31, 2016	<u>2,600,000</u>	<u>\$ 26</u>	<u>-</u>	<u>\$ -</u>	<u>84,696,017</u>	<u>\$ 847</u>	<u>\$ 985,171</u>	<u>\$ 185</u>	<u>\$ 70,360</u>	<u>\$ 1,056,589</u>
Net loss	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ (511,714)	\$ (511,714)
Issuance of common stock (Note 8 (d))	-	-	-	-	20,125,000	201	77,110	-	-	77,311
Issuance of restricted stock and compensation cost (Note 8(f))	-	-	-	-	1,310,000	13	8,219	-	-	8,232
Dividends on series B preferred stock (Note 8(b))	-	-	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive income	-	-	-	-	-	-	-	109	-	109
BALANCE, December 31, 2017	<u>2,600,000</u>	<u>\$ 26</u>	<u>-</u>	<u>\$ -</u>	<u>106,131,017</u>	<u>\$ 1,061</u>	<u>\$ 1,070,500</u>	<u>\$ 294</u>	<u>\$ (447,123)</u>	<u>\$ 624,758</u>
Net income	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	\$ 16,580	\$ 16,580
Stock repurchased and retired (Note 8(e))	-	-	-	-	(4,166,666)	(41)	(15,116)	-	-	(15,157)
Issuance of restricted stock and compensation cost (Note 8(f))	-	-	-	-	1,800,000	18	7,261	-	-	7,279
Dividends on series B preferred stock (Note 8(b))	-	-	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	-	-	(7)	-	(7)
BALANCE, December 31, 2018	<u>2,600,000</u>	<u>\$ 26</u>	<u>-</u>	<u>\$ -</u>	<u>103,764,351</u>	<u>\$ 1,038</u>	<u>\$ 1,062,645</u>	<u>\$ 287</u>	<u>\$ (436,312)</u>	<u>\$ 627,684</u>
Net loss	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	\$ (10,535)	\$ (10,535)
Issuance of Series C Preferred Stock (Note 8(c))	-	-	10,675	-	-	-	960	-	-	960
Issuance of restricted stock and compensation cost (Note 8(f))	-	-	-	-	2,000,000	20	7,561	-	-	7,581
Stock repurchased and retired (Note 8(e))	-	-	-	-	(14,571,012)	(146)	(49,533)	-	-	(49,679)
Dividends on series B preferred stock (Note 8(b))	-	-	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	-	-	(178)	-	(178)
BALANCE, December 31, 2019	<u>2,600,000</u>	<u>\$ 26</u>	<u>10,675</u>	<u>\$ -</u>	<u>91,193,339</u>	<u>\$ 912</u>	<u>\$ 1,021,633</u>	<u>\$ 109</u>	<u>\$ (452,616)</u>	<u>\$ 570,064</u>

The accompanying notes are an integral part of these consolidated financial statements.

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended December 31, 2019, 2018 and 2017
(Expressed in thousands of U.S. Dollars)

	2019	2018	2017
Cash Flows from Operating Activities:			
Net income/(loss)	\$ (10,535)	\$ 16,580	\$ (511,714)
Adjustments to reconcile net income/(loss) to net cash from operating activities:			
Depreciation and amortization of deferred charges	48,904	52,206	87,003
Impairment loss (Note 4)	13,987	-	442,274
Amortization of financing costs (Note 9)	1,126	1,939	1,455
Compensation cost on restricted stock (Note 8)	7,581	7,279	8,232
Actuarial gain/(loss)	(178)	(7)	109
Loss from sale of vessels (Note 4)	6,171	1,448	-
Gain from loan to a related party (Note 3)	-	(5,000)	-
Gain from insurance recoveries, net of other loss (Note 4)	-	-	(10,879)
Loss from extinguishment of liabilities	188	-	-
Loss/(gain) from investments (Note 3)	1,583	(14)	5,607
Accounts receivable, trade	(4,914)	1,989	966
Due from related parties	(23)	43	(141)
Inventories	309	(65)	90
Prepaid expenses and other assets	(2,846)	(1,197)	142
Other non-current assets	(2,941)	-	-
Increase / (Decrease) in:			
Accounts payable, trade and other	321	3,119	1,382
Due to related parties	(97)	(89)	246
Accrued liabilities, net of accrued preferred dividends	(2,109)	5,131	2,512
Deferred revenue	(1,558)	883	2,385
Other non-current liabilities	143	(59)	162
Drydock costs	(5,230)	(4,256)	(6,418)
Net cash provided by Operating Activities	\$ 49,882	\$ 79,930	\$ 23,413
Cash Flows from Investing Activities:			
Payments for vessel acquisitions, improvements and construction (Note 4)	(2,804)	(2,573)	(125,781)
Proceeds from vessel sales, net of expenses (Note 4)	41,326	14,578	2,032
Proceeds from insurance contract, net of expenses (Note 4)	-	-	11,362
Proceeds from sale of investment	-	-	158
Loan to a related party (Note 3(b))	-	-	(40,000)
Proceeds from loan to a related party (Note 3(b))	-	87,617	-
Payments for plant, property and equipment (Note 5)	(125)	(252)	(104)
Net cash provided by / (used in) Investing Activities	\$ 38,397	\$ 99,370	\$ (152,333)
Cash Flows from Financing Activities:			
Proceeds from long-term debt (Note 6)	44,000	100,000	57,240
Proceeds from issuance of stock, net of expenses (Note 8(c) and (d))	960	-	77,311
Cash dividends on preferred stock	(5,769)	(5,769)	(5,769)
Payments for repurchase of common stock (Note 8(e))	(49,679)	(15,157)	-
Financing costs	(357)	(2,833)	(31)
Loan payments (Note 6)	(100,553)	(169,943)	(55,164)
Net cash provided by / (used in) Financing Activities	\$ (111,398)	\$ (93,702)	\$ 73,587
Net increase / (decrease) in cash, cash equivalents and restricted cash	(23,119)	85,598	(55,333)
Cash, cash equivalents and restricted cash at beginning of the year	151,407	65,809	121,142
Cash, cash equivalents and restricted cash at end of the year	\$ 128,288	\$ 151,407	\$ 65,809
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents	\$ 107,288	\$ 126,825	\$ 40,227
Restricted cash	21,000	24,582	25,582
Cash, cash equivalents and restricted cash	\$ 128,288	\$ 151,407	\$ 65,809
SUPPLEMENTAL CASH FLOW INFORMATION			
Related party loan reduction in exchange for preferred shares (Note 3(b))	\$ -	\$ -	\$ 3,000
Interest, net of amounts capitalized	\$ 28,554	\$ 25,683	\$ 24,503

The accompanying notes are an integral part of these consolidated financial statements.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

(Expressed in thousands of U.S. Dollars – except share, per share data, unless otherwise stated)

1. Basis of Presentation and General Information

The accompanying consolidated financial statements include the accounts of Diana Shipping Inc., or DSI, and its wholly-owned and beneficially-owned subsidiaries (collectively, the “Company”). DSI was formed on March 8, 1999 as Diana Shipping Investment Corp. under the laws of the Republic of Liberia. In February 2005, the Company’s articles of incorporation were amended. Under the amended articles of incorporation, the Company was renamed Diana Shipping Inc. and was re-domiciled from the Republic of Liberia to the Republic of the Marshall Islands.

The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership of dry bulk carrier vessels. The Company operates its own fleet through Diana Shipping Services S.A. (or “DSS”), a wholly-owned subsidiary and through Diana Wilhelmsen Management Limited, or DWM, a 50% owned joint venture (Note 3). The fees paid to DSS are eliminated in consolidation.

During 2019, 2018, and 2017, charterers that individually accounted for 10% or more of the Company’s time charter revenues were as follows:

Charterer	2019	2018	2017
A	18%	16%	14%
B	16%	14%	12%
C	14%	15%	17%
D	12%	10%	

2. Significant Accounting Policies

a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, and include the accounts of Diana Shipping Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Under Accounting Standards Codification (“ASC”) 810 “Consolidation”, the Company consolidates entities in which it has a controlling financial interest, by first considering if an entity meets the definition of a variable interest entity (“VIE”) for which the Company is deemed to be the primary beneficiary under the VIE model, or if the Company controls an entity through a majority of voting interest based on the voting interest model. The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist. For entities in which the Company has a variable interest, the Company determines if the entity is a VIE by considering whether the entity’s equity investment at risk is sufficient to finance its activities without additional subordinated financial support and whether the entity’s at-risk equity holders have the characteristics of a controlling financial interest. In performing the analysis of whether the Company is the primary beneficiary of a VIE, the Company considers whether it individually has the power to direct the activities of the VIE that most significantly affect the entity’s performance and also has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company reconsiders the initial determination of whether an entity is a VIE if certain types of events (“reconsideration events”) occur. If the Company holds a variable interest in an entity that previously was not a VIE, it reconsiders whether the entity has become a VIE. The Company has identified that it has variable interests in Performance Shipping Inc., (or “Performance Shipping”) and Diana Wilhelmsen Management Limited. The Company has assessed that Performance Shipping is a VIE since 2017 but the Company is not the primary beneficiary (Note 3(b)).

b) Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Other Comprehensive Income / (Loss): The Company separately presents certain transactions, which are recorded directly as components of stockholders’ equity. Other Comprehensive Income / (Loss) is presented in a separate statement.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
(Expressed in thousands of U.S. Dollars – except share, per share data, unless otherwise stated)

- d) Foreign Currency Translation:* The functional currency of the Company is the U.S. dollar because the Company's vessels operate in international shipping markets, and therefore primarily transact business in U.S. dollars. The Company's accounting records are maintained in U.S. dollars. Transactions involving other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are translated into U.S. dollars at the year-end exchange rates. Resulting gains or losses are reflected separately in the accompanying consolidated statements of operations.
- e) Cash and Cash Equivalents and Restricted Cash:* The Company considers highly liquid investments such as time deposits, certificates of deposit and their equivalents with an original maturity of three months or less to be cash equivalents. Restricted cash consists mainly of cash deposits required to be maintained at all times under the Company's loan facilities (Note 6). As of December 31, 2018, restricted cash also included \$582 of cash guarantee which was restricted to withdrawal or usage and was released in November 2019.
- f) Accounts Receivable, Trade:* The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire, net of any provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No provision for doubtful accounts was established as of December 31, 2019 and 2018.
- g) Inventories:* Inventories consist of lubricants and victualing which are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in earnings in the period in which it occurs. Cost is determined by the first in, first out method. Inventories may also consist of bunkers when on the balance sheet date a vessel remains idle. Bunkers, if any, are also stated at the lower of cost or net realizable value and cost is determined by the first in, first out method.
- h) Vessel Cost:* Vessels are stated at cost which consists of the contract price and any material expenses incurred upon acquisition or during construction. Expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise these amounts are charged to expense as incurred. Interest cost incurred during the assets' construction periods that theoretically could have been avoided if expenditure for the assets had not been made is also capitalized. The capitalization rate, applied on accumulated expenditures for the vessel, is based on interest rates applicable to outstanding borrowings of the period.
- i) Vessels held for sale:* The Company classifies assets as being held for sale when the respective criteria are met. Long-lived assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale.
- j) Property and equipment:* The Company owns the land and building where its offices are located. Land is stated at cost and it is not subject to depreciation. The building has an estimated useful life of 55 years with no residual value. Depreciation is calculated on a straight-line basis. Equipment consists of office furniture and equipment, computer software and hardware and vehicles which consist of motor scooters and a car. The useful life of the car is 10 years, of the office furniture, equipment and the scooters is 5 years; and of the computer software and hardware is 3 years. Depreciation is calculated on a straight-line basis.
- k) Impairment of Long-Lived Assets:* Long-lived assets (vessels, land, and building) and certain identifiable intangibles held and used by an entity are reviewed for impairment whenever events or changes in circumstances (such as market conditions, obsolesce or damage to the asset, potential sales and other business plans) indicate that the carrying amount of the assets, plus unamortized dry-docking costs, may not be recoverable. When the estimate of undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of the asset over its remaining useful life and its eventual disposition is less than its carrying amount, the Company should evaluate the asset for impairment loss. Measurement of the impairment loss is based on the fair value of the asset. The Company determines the fair value of its assets based on management estimates and assumptions, by making use of available market data and taking into consideration third party valuations.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
(Expressed in thousands of U.S. Dollars – except share, per share data, unless otherwise stated)

With respect to the vessels, the Company determines undiscounted projected net operating cash flows for each vessel by considering the historical and estimated vessels' performance and utilization, assuming (i) future revenues calculated for the fixed days, using the fixed charter rate of each vessel from existing time charters and for the unfixed days, the most recent 10 year average of historical 1 year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of commissions. Historical ten-year blended average one-year time charter rates are in line with the Company's overall chartering strategy, they reflect the full operating history of vessels of the same type and particulars with the Company's operating fleet and they cover at least a full business cycle, where applicable; (ii) expected outflows for scheduled vessels' maintenance; (iii) vessel operating expenses; and (iv) fleet utilization; assumptions in line with the Company's historical performance and its expectations for future fleet utilization under its current fleet deployment strategy.

During the last quarter of 2017, the Company's management considered various factors, including the recovery of the market, the worldwide demand for dry-bulk products, supply of tonnage and order book and concluded that the charter rates for the years 2008-2010 were exceptional. In this respect the Company's management decided to exclude from the 10-year average of 1 year time charters these three years for which the rates were well above the average and which were not considered sustainable for the foreseeable future. Similarly, the Company performed the exercise discussed above, for 2018, by excluding from the 10-year average of 1 year time charters the years 2009-2010 and for 2019, by excluding the rates for the year 2010. This exercise resulted to recording impairment on certain vessels' carrying value in 2017 and 2019 (Note 4). No impairment loss was identified or recorded for 2018.

With respect to the land and building, the Company determines undiscounted projected net operating cash flows by considering an estimated monthly rent the Company would have to pay in order to lease a similar property, during the useful life of the building. No impairment loss was identified or recorded for 2019, 2018 and 2017 and the Company has not identified any other facts or circumstances that would require the write down of the value of its land or building in the near future.

l) Vessel Depreciation: Depreciation is computed using the straight-line method over the estimated useful life of the vessels, after considering the estimated salvage (scrap) value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate. Management estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard. Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations are adopted.

m) Accounting for Dry-Docking Costs: The Company follows the deferral method of accounting for dry-docking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next dry-docking is scheduled to become due. Unamortized dry-docking costs of vessels that are sold or impaired are written off and included in the calculation of the resulting gain or loss in the year of the vessel's sale or impairment (Note 4).

n) Financing Costs: Fees paid to lenders for obtaining new loans or refinancing existing ones are deferred and recorded as a contra to debt. Other fees paid for obtaining loan facilities not used at the balance sheet date are deferred. Fees relating to drawn loan facilities are amortized to interest and finance costs over the life of the related debt using the effective interest method and fees incurred for loan facilities not used at the balance sheet date are amortized using the straight line method according to their availability terms. Unamortized fees relating to loans repaid or refinanced as debt extinguishment are expensed as interest and finance costs in the period the repayment or extinguishment is made. Loan commitment fees are charged to expense in the period incurred, unless they relate to loans obtained to finance vessels under construction, in which case they are capitalized to the vessels' cost.

o) Concentration of Credit Risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and trade accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with various qualified financial institutions and performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable and does not have any agreements to mitigate credit risk.

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p) Accounting for Revenues and Expenses: Revenues are generated from time charter agreements which contain a lease as they meet the criteria of a lease under ASC 842. Agreements with the same charterer are accounted for as separate agreements according to their specific terms and conditions. All agreements contain a minimum non-cancellable period and an extension period at the option of the charterer. Each lease term is assessed at the inception of that lease. Under a time charter agreement, the charterer pays a daily hire for the use of the vessel and reimburses the owner for hold cleanings, extra insurance premiums for navigating in restricted areas and damages caused by the charterers. Additionally, the charterer pays to third parties port, canal and bunkers consumed during the term of the time charter agreement. Such costs are considered direct costs and are not recorded as they are directly paid by charterers, unless they are for the account of the owner, in which case they are included in voyage expenses. Additionally, the owner pays commissions on the hire revenue, to both the charterer and to brokers, which are direct costs and are recorded in voyage expenses. Under a time charter agreement, the owner pays for the operation and the maintenance of the vessel, including crew, insurance, spares and repairs, which are recognized in operating expenses. The Company, as lessor, has elected not to allocate the consideration in the agreement to the separate lease and non-lease components (operation and maintenance of the vessel) as their timing and pattern of transfer to the charterer, as the lessee, are the same and the lease component, if accounted for separately, would be classified as an operating lease. Additionally, the lease component is considered the predominant component as the Company has assessed that more value is ascribed to the vessel rather than to the services provided under the time charter contracts. The majority of the vessels are employed on short to medium-term time charter contracts, which provides flexibility in responding to market developments. The Company monitors developments in the dry bulk shipping industry on a regular basis and adjusts the charter hire periods for the vessels according to prevailing market conditions. In order to take advantage of relatively stable cash flow and high utilization rates, some of the vessels may be fixed on long-term time charters.

q) Repairs and Maintenance: All repair and maintenance expenses including underwater inspection expenses are expensed in the year incurred. Such costs are included in vessel operating expenses in the accompanying consolidated statements of operations.

r) Earnings / (loss) per Common Share: Basic earnings / (loss) per common share are computed by dividing net income / (loss) available to common stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised.

s) Segmental Reporting: The Company engages in the operation of dry-bulk vessels which has been identified as one reportable segment. The operation of the vessels is the main source of revenue generation, the services provided by the vessels are similar and they all operate under the same economic environment. Additionally, the vessels do not operate in specific geographic areas, as they trade worldwide; they do not trade in specific trade routes, as their trading (route and cargo) is dictated by the charterers; and the Company does not evaluate the operating results for each type of dry bulk vessels (i.e. Panamax, Capesize etc.) for the purpose of making decisions about allocating resources and assessing performance.

t) Fair Value Measurements: The Company classifies and discloses its assets and liabilities carried at fair value in one of the following categories: Level 1: Quoted market prices in active markets for identical assets or liabilities; Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data; Level 3: Unobservable inputs that are not corroborated by market data.

u) Share Based Payments: The Company issues restricted share awards which are measured at their grant date fair value and are not subsequently re-measured. That cost is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Forfeitures of awards are accounted for when and if they occur. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

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v) **Equity method investments:** Investments in common stock in entities over which the Company exercises significant influence, but does not exercise control are accounted for by the equity method of accounting. Under this method, the Company records such an investment at cost and adjusts the carrying amount for its share of the earnings or losses of the entity subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received, if any, reduce the carrying amount of the investment. When the Company's share of losses in an entity accounted for by the equity method equals or exceeds its interest in the entity, the Company does not recognize further losses, unless the Company has made advances, incurred obligations and made payments on behalf of the entity. The Company also evaluates whether a loss in value of an investment that is other than a temporary decline should be recognized. Evidence of a loss in value might include absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment. The Company assessed the financial condition of Performance Shipping (Note 3(b)), the market conditions that could affect its operations in the near future and historical losses of its investment and as a result the Company recorded impairment in 2017, which is included in Gain/(loss) from equity method investments in the accompanying statements of operations.

w) **Going concern:** Management evaluates, at each reporting period, whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year from the date the financial statements are issued.

x) **Financial Instruments, Recognition and Measurement:** Equity securities with no determinable value, such as the Company's investment in Performance Shipping (Note 3 (b)) are recorded at their cost and they are assessed for impairment, in accordance with ASU 2016-01 Financial Instruments-Overall, Recognition and Measurement of Financial Assets and Financial Liabilities. The Company accounts for its investment at cost minus impairment, unless it determines that an observable transaction for a similar security took place, as determined in ASU 2018-03 Technical Corrections and Improvements to Financial Instruments – Overall. As at December 31, 2019 the Company assessed the voting rights held by the shareholders of Performance Shipping compared to the voting rights held by the Company. Based on the fact that the shareholders of Performance Shipping increased their voting power, the Company's voting power would be limited if not required. Based on this assessment, the Company determined that the carrying value of the investment may not be recoverable and recorded impairment (Note 3(b)). For 2018, no impairment was recognized.

y) **Shares repurchased and retired:** Company's shares repurchased for retirement, are immediately cancelled and the Company's share capital is accordingly reduced. Any excess of the cost of the shares over their par value is allocated in additional paid-in capital, in accordance with ASC 505-30-30, Treasury Stock.

Recent Accounting Pronouncements not yet adopted

On August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which improves the effectiveness of fair value measurement disclosures. In particular, the amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits. The amendments in the Update apply to all entities that are required under existing GAAP, to make disclosures about recurring and non-recurring fair value measurements. ASU No. 2018-13 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. The Company has assessed the impact of this new accounting guidance and the adoption of this ASU does not have a material impact on its consolidated financial statements and related disclosures.

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On October 2018, the FASB issued ASU No. 2018-17, “Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities”. The Board is issuing this Update in response to stakeholders’ observations that Topic 810, Consolidation, could be improved in the following areas: i) applying the variable interest entity (VIE) guidance to private companies under common control, ii) considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. The amendments in this Update improve the accounting for those areas, thereby improving general purpose financial reporting. ASU No. 2018-17 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. All entities are required to apply the amendments in this Update retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Company has assessed the impact of this new accounting guidance and the adoption of this ASU does not have a material impact on its consolidated financial statements and related disclosures.

In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments Credit Losses, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments, the amendments of which clarify the modification of accounting for available for sale debt securities excluding applicable accrued interest, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. In May 2019, the FASB issued ASU 2019-05, Financial Instruments—Credit Losses (Topic 326)—Targeted Transition Relief, which is the final version of Proposed Accounting Standards Update 2019-100—Targeted Transition Relief for Topic 326, Financial Instruments—Credit Losses, which has been deleted. This Update provides entities with an option to irrevocably elect the fair value option applied on an instrument-by-instrument basis for certain financial assets upon the adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. The effective date and transition requirements for the amendments in these Updates are the same as the effective dates and transition requirements in Update 2016-13, as amended by these Updates. The Company has assessed the impact of this new accounting guidance and the adoption of this ASU does not have a material impact on its consolidated financial statements and related disclosures.

3. Transactions with related parties

a) **Altair Travel Agency S.A. (“Altair”)**: The Company uses the services of an affiliated travel agent, Altair, which is controlled by the Company’s CEO and Chairman of the Board. Travel expenses for 2019, 2018 and 2017 amounted to \$2,032, \$2,253 and \$2,096, respectively, and are mainly included in “Vessels, net book value”, “Vessel operating expenses” and “General and administrative expenses” in the accompanying consolidated financial statements. At December 31, 2019 and 2018, an amount of \$30 and \$63, respectively, was payable to Altair and is included in “Due to related parties” in the accompanying consolidated balance sheets.

b) **Performance Shipping Inc., or Performance Shipping**: In 2017, the Company gradually sold all shares owned in the common stock of Performance Shipping, which was an equity method investee until then, realizing an aggregate loss of \$757 from the sale of such shares. For 2017, the investment in Performance Shipping resulted in loss of \$5,656 (including the loss from the sale of shares) of which \$3,124 was impairment, which was recorded based on Performance Shipping’s market value on Nasdaq at the date of impairment charge recognition. The loss and impairment are included in the 2017 “Gain/(loss) from investments” in the accompanying consolidated statements of operations.

On June 30, 2017, DSI refinanced an existing loan amounting to \$42,617, at that date, by entering into a new loan facility with Performance Shipping amounting to \$82,617. The loan also provided for an additional \$5,000 interest-bearing discount premium payable on the termination date, unless waived according to certain terms of the loan agreement. The loan was collected in full in July 2018, including the additional \$5,000 interest-bearing discount premium. The loan bore interest at the rate of 6% per annum for the first twelve months, scaled to 9% until full repayment. The loan facility was secured by first preferred mortgages on Performance Shipping’s vessels and included financial and other covenants. For 2018 and 2017, interest and other income amounted to \$7,055 (including the \$5,000 additional discount premium) and \$3,855, respectively, and is included in “Interest and other income” in the accompanying consolidated statement of operations.

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On May 30, 2017, the Company acquired 100 shares of Series C Preferred Stock, par value \$0.01 per share, of Performance Shipping, for \$3,000 in exchange for a reduction of an equal amount in the principal amount of the Company's outstanding loan to Performance Shipping at that date. The Series C Preferred Stock has no dividend or liquidation rights and votes with the common shares of Performance Shipping, if any. Each share of the Series C Preferred Stock entitles the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates does not exceed 49.0%, on all matters submitted to a vote of the stockholders of Performance Shipping. The acquisition of shares of Series C Preferred Stock was approved by an independent committee of the Board of Directors of the Company. The Company has assessed that Performance Shipping is a VIE due to this transaction, but the Company is not the primary beneficiary. The Company's exposure to Performance Shipping is limited to the amount of the investment.

At December 31, 2019 the investment in the preferred shares of Performance Shipping was reduced to \$1,500 from \$3,000, at December 31, 2018, and is included in "Investments in related parties" in the accompanying consolidated balance sheets. This reduction which is included in the 2019 "Gain(loss) from investments" was made due to management's qualitative assessment that the carrying value of the investment may not be recoverable (Note 13).

c) Steamship Shipbroking Enterprises Inc. or Steamship: Steamship is a company controlled by the Company's CEO and Chairman of the Board which provides brokerage services to DSI pursuant to a Brokerage Services Agreement for a fixed fee amended annually on each anniversary of the agreement with the exception of an amendment in November 21, 2018, to increase the fee from October 1, 2018 until expiration of the agreement in March 2019. The new agreement signed on April 1, 2019 for one year maintained the fee at the same level. For 2019, 2018 and 2017 brokerage fees amounted to \$1,998, \$1,850 and \$1,800, respectively, and are included in "General and administrative expenses" in the accompanying consolidated statements of operations. As of December 31, 2019 and 2018, there was no amount due to Steamship.

d) Diana Wilhelmsen Management Limited, or DWM: DWM is a joint venture which was established on May 7, 2015 by Diana Ship Management Inc., a wholly owned subsidiary of DSI, and Wilhelmsen Ship Management Holding Limited, an unaffiliated third party, each holding 50% of DWM. The DWM office is located in Limassol, Cyprus. As at December 31, 2019 and 2018, the equity method investment in DWM amounted to \$180 and \$263, respectively, and is included in "Investments in related parties" in the accompanying consolidated balance sheets. For 2019, 2018 and 2017, the investment in DWM resulted in a loss of \$83 and gain of \$14 and \$49, respectively, and is included in "Gain(loss) from equity method investments" in the accompanying consolidated statements of operations.

Until October 8, 2019, DWM provided management services to certain vessels of the Company's fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues pursuant to management agreements between the vessels and DWM. Since October 8, 2019, all of the fleet vessels are managed by DSS and DSS outsourced the management of certain vessels to DWM. For the management services outsourced to DWM, DSS pays a fixed monthly fee per vessel and a percentage of those vessels' gross revenues. Management fees paid to DWM for 2019, 2018 and 2017 amounted to \$2,155, \$2,394 and \$1,883, respectively, and are separately presented as "Management fees to related party" in the accompanying consolidated statements of operations. Commercial fees until October 9, 2019, amounted to \$353, \$453 and \$260, respectively, and are included in "Voyage expenses". As at December 31, 2019 and 2018, there was an amount of \$55 and \$119, respectively, due to DWM, included in "Due to related parties" in the accompanying consolidated balance sheets.

e) Series C Preferred Stock: On January 31, 2019, DSI issued 10,675 shares of its newly-designated Series C Preferred Stock, par value \$0.01 per share, to an affiliate of its Chairman and Chief Executive Officer, Mr. Simeon Palios, for an aggregate purchase price of \$1,066 (Note 8).

f) Sale of Vessels: On February 14 and February 15, 2019, the Company through two separate wholly-owned subsidiaries entered into two Memoranda of Agreement to sell the vessels *Danae* and *Dione* to two affiliated parties, for a purchase price of \$7,200 each (Note 4).

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4. Vessels

Vessel Disposals

In November 2018, the Company entered into two Memoranda of Agreement with two unrelated third party companies to sell the vessel *Triton*, for a total consideration of \$7,350 and the vessel *Alcyon*, for a total consideration of \$7,450. Both vessels were delivered to their new owners in December 2018. The aggregate loss from the vessels' sale, including unamortized deferred drydocking costs, amounted to \$1,448 and is reflected in "Loss from sale of vessels" in the related accompanying consolidated statement of operations.

On February 14 and February 15, 2019, the Company through two separate wholly-owned subsidiaries entered into two Memoranda of Agreement to sell the vessels *Danae* and *Dione* to two affiliated parties, for a purchase price of \$7,200 each. The transaction was approved by disinterested directors of the Company and the agreed upon sale price was based, among other factors, on independent third-party broker valuations obtained by the Company. Both vessels were delivered to their new owners in April 2019.

On April 12, 2019, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Erato*, for a sale price of \$7,000 before commissions. The vessel was delivered to her new owners in June 2019.

On June 13, 2019, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Thetis*, for a sale price of \$6,400 before commissions. The vessel was delivered to her new owners in July 2019.

On July 25, 2019, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party, the vessel *Nirefs*, for a sale price of \$6,710 before commissions. The vessel was delivered to her new owners in September 2019.

On November 7, 2019, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Clio*, for a sale price of \$7,400 before commissions. The vessel was delivered to her new owners in November 2019.

On December 24, 2019, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Calipso*, for a sale price of \$7,275 before commissions. On December 31, 2019, the vessel was measured at the lower of her carrying amount or fair value less costs to sell and was classified in current assets as Vessel held for sale, according to the provisions of ASC 360, as all criteria required for this classification were then met. The vessel was expected to be delivered to the new owners in January 2020, but in February 2020 the sale was cancelled (Note 13). This cancellation does not affect the classification of the vessel as held for sale on December 31, 2019, according to the provisions of ASC 360.

The sale of *Danae*, *Dione*, *Thetis* and *Calipso* resulted to an aggregate impairment of \$10,567, including the write off of the unamortized drydocking costs of \$1,102, as the vessels were measured at the lower of their carrying value and fair value (sale price) less costs to sell (Note 12), resulting from their classification as held for sale and is included in "Impairment loss" in the accompanying 2019 statement of operations. Additionally, the Company recorded an aggregate loss from the sale of vessels amounting to \$6,171, separately presented in the accompanying 2019 statement of operations.

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Impairment Loss

On July 25, 2017, the *Melite* run aground at Pulau Laut, Indonesia. Following this incident, on September 21, 2017, the owners served a notice of frustration of the voyage to the time-charterers and a notice of abandonment to the H&M and IV insurers as it was considered that the extent of damages and the estimated cost of repairs were such that the vessel constituted a constructive total loss. As of September 30, 2017, the vessel's net book value was reduced to its scrap value of \$2,515 resulting in an impairment of \$19,807 which is included in "Impairment loss", in the 2017 accompanying consolidated statement of operations. The vessel, which was insured for a value of \$14,000 to H&M insurers, was sold to an unrelated third party at the recorded price in October 2017, and in November 2017, the Company received the balance of the insured value of the vessel amounting to \$11,528, which is included in "Insurance recoveries, net of other loss" in the accompanying statement of operations.

As at December 31, 2017, the Company's estimated undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of certain vessels over their remaining useful lives and their eventual disposition was less than their carrying amount plus any unamortized dry-docking costs. This exercise resulted to recording impairment loss on certain vessels' carrying value of an aggregate amount of \$422,466, which is included in "Impairment loss" in the 2017 accompanying consolidated statement of operations of which \$3,362 was written down from unamortized deferred drydocking costs. The fair value of the vessels was determined through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations which were based on the last done deals of sale of vessels with similar characteristics, such as type, size and age (Note 12).

Similarly, as at December 31, 2019, the Company's estimated undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of three vessels over their remaining useful lives and their eventual disposition was less than their carrying amount. This resulted to impairment loss, net loss and net loss attributed to common stock holders of \$3,419, or \$0.04 per share, consisting of \$2,386 of vessels' net book value and \$1,033 of deferred drydocking costs, both included in "Impairment loss" in the accompanying 2019 statement of operations. The fair value of two vessels was determined through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations and for the one vessel which was subsequently sold (Note 13), the fair value was determined through Level 1 inputs of the fair value hierarchy (Note 12).

The amounts reflected in Vessels, net in the accompanying consolidated balance sheets are analyzed as follows:

	<u>Vessel Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance, December 31, 2017	\$ 1,267,231	\$ (213,653)	\$ 1,053,578
- Additions for improvements	2,573	-	2,573
- Vessel disposal	(41,213)	25,630	(15,583)
- Depreciation for the year	-	(49,165)	(49,165)
Balance, December 31, 2018	\$ 1,228,591	\$ (237,188)	\$ 991,403
- Additions for improvements	2,804	-	2,804
- Impairment	(55,396)	43,545	(11,851)
- Vessel held for sale	(7,130)	-	(7,130)
- Vessel disposals	(72,335)	24,965	(47,370)
- Depreciation for the year	-	(45,559)	(45,559)
Balance, December 31, 2019	\$ 1,096,534	\$ (214,237)	\$ 882,297

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5. Property and equipment, net

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Property and Equipment	Accumulated Depreciation	Net Book Value
Balance, December 31, 2017	\$ 26,683	\$ (4,033)	\$ 22,650
- Additions in property and equipment	252	-	252
- Depreciation for the year	-	(477)	(477)
Balance, December 31, 2018	\$ 26,935	\$ (4,510)	\$ 22,425
- Additions in property and equipment	125	-	125
- Depreciation for the year	-	(473)	(473)
Balance, December 31, 2019	\$ 27,060	\$ (4,983)	\$ 22,077

6. Long-term debt, current and non-current

The amount of long-term debt shown in the accompanying consolidated balance sheets is analyzed as follows:

	2019	2018
9.5% Senior Unsecured Bond	100,000	100,000
Secured Term Loans	378,298	434,850
Total debt outstanding	\$ 478,298	\$ 534,850
Less related deferred financing costs	(3,347)	(4,303)
Total debt, net of deferred financing costs	\$ 474,951	\$ 530,547
Less: Current portion of long term debt, net of deferred financing costs current	(40,205)	(96,434)
Long-term debt, net of current portion and deferred financing costs, non-current	\$ 434,746	\$ 434,113

8.5% Unsecured Senior Notes: On May 20, 2015, the Company offered \$63,250 aggregate principal amount of 8.5% Senior Notes due 2020 (the “Notes”), including an overallotment, at the price of \$25.0 per Note, pursuant to an approval obtained by a special committee of the Board of Directors. As part of the offering, the underwriters sold \$12,750 aggregate principal amount of the Notes to, or to entities affiliated with, the Company’s chief executive officer, Mr. Simeon Palios, and other executive officers and certain directors of the Company at the public offering price. On October 29, 2018, the Company completed the redemption of all of its outstanding 8.50% Senior Notes due 2020 which until then had traded on the NYSE under the ticker symbol “DSXN”. The redemption price was equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but excluding, the date of redemption. The Notes bore interest at a rate of 8.5% per year, payable quarterly in arrears on the 15th day of February, May, August and November of each year. The Notes included financial and other covenants, including maximum net borrowings and minimum tangible net worth.

9.5% Senior Unsecured Bond: On September 27, 2018, the Company issued a \$100,000 senior unsecured bond (the “Bond”) maturing in September 2023 and may issue up to an additional \$25,000 of the Bond on one or more occasions. The bond ranks ahead of subordinated capital and ranks the same with all other senior unsecured obligations of the Company other than obligations which are mandatorily preferred by law. Entities affiliated with the Company’s chief executive officer, Mr. Simeon Palios, and other executive officers and directors of the Company purchased \$16,200 aggregate principal amount of the Bond. The Bond bears interest from September 27, 2018 at a US Dollar fixed-rate coupon of 9.50% and is payable semi-annually in arrears in March and September of each year. The Bond is callable in whole or in parts in three years at a price equal to 103% of nominal value; in four years at a price equal to 101.9% of the nominal value and in four and a half years at a price equal to 100% of nominal value. The bond includes financial and other covenants and is trading on the Oslo Stock Exchange under the ticker symbol “DIASH01”.

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Secured Term Loans: The Company, through its subsidiaries, has entered into various long term loan agreements with bank institutions to partly finance or, as the case may be, refinance part of the acquisition cost of certain of its fleet vessels. The loan agreements are repayable in quarterly or semi-annual installments plus one balloon installment per loan agreement to be paid together with the last installment and bear interest at LIBOR plus margin ranging from 1% to 2.5%. Their maturities range from March 2021 to January 2032. For 2019 and 2018, the weighted average interest rates of the secured term loans were 4.56% and 4.31%, respectively.

Under the secured term loans outstanding as of December 31, 2019, 32 vessels of the Company's fleet are mortgaged with first preferred or priority ship mortgages, having an aggregate carrying value of \$765,736. Additional securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts that exceed a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by DSI (the "Guarantor") or a guarantee by the ship owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the Guarantor, maintained in the bank accounts of the borrowers, or the Guarantor.

As at December 31, 2019 and 2018, the minimum cash deposits required to be maintained at all times under the Company's loan facilities, amounted to \$21,000 and \$24,000, respectively and is included in "Restricted cash" in the accompanying consolidated balance sheets. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends following the occurrence of an event of default.

During the year ended December 31, 2019, the Company had the following agreements with banks, either as a borrower or as a guarantor, to guarantee the loans of its subsidiaries:

Bremer Landesbank: On November 12, 2009, the Company drew down \$40,000 under a secured loan agreement, which was repayable in 40 quarterly installments of \$900 each plus one balloon installment of \$4,000 payable together with the last installment on November 12, 2019. The loan bore interest at LIBOR plus a margin of 2.15% per annum. The loan was prepaid in full in June 2019.

Export-Import Bank of China and DnB NOR Bank ASA: On February 15, 2012, the Company drew down a first tranche of \$37,450, under a secured loan agreement, which is repayable in 40 quarterly installments of approximately \$628 each and a balloon of \$12,332 payable together with the last installment on February 15, 2022. On May 18, 2012, the Company drew down, under the same agreement, a second tranche of \$34,640, which is repayable in 40 quarterly installments of approximately \$581 each and a balloon of \$11,410 payable together with the last installment on May 18, 2022. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

On May 22, 2014, the Company drew down \$15,000 under a secured loan agreement, which was repayable in 19 quarterly installments of \$250 each and a balloon of \$10,250 payable together with the last installment on February 22, 2019, on which date the loan was repaid. The loan bore interest at LIBOR plus a margin of 3.0% per annum.

On May 10, 2016, the Company drew down \$13,510 under a secured loan agreement, which was payable in seven equal consecutive quarterly installments of about \$20 each, four equal consecutive quarterly installments of about \$283 and a balloon of about \$12,242 payable together with the last installment on January 4, 2019, on which date it was repaid. The loan bore interest at LIBOR plus a margin of 3% per annum.

Credit Agricole Corporate and Investment Bank ("Credit Agricole"): On September 15, 2011, the Company drew down \$15,000 under a secured loan agreement with Emporiki Bank of Greece S.A., transferred to Credit Agricole on December 13, 2012. The loan is repayable in 20 equal semiannual installments of \$500 each and a balloon payment of \$5,000 to be paid together with the last installment on September 15, 2021. The loan bears interest at LIBOR plus a margin of 2.5% per annum, or 1% for such loan amount that is equivalently secured by cash pledge in favor of the bank. The Company maintains the equivalent of the loan balance in cash pledge in favour of the bank and pays the lower interest margin.

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Commonwealth Bank of Australia, London Branch: On January 13, 2014, the Company drew down \$9,500 under a secured loan agreement, which is repayable in 32 equal consecutive quarterly installments of \$156 each and a balloon of \$4,500 payable on January 13, 2022. The loan bears interest at LIBOR plus a margin of 2.25%.

BNP Paribas (“BNP”): On December 19, 2014, the Company drew down \$53,500 under a secured loan agreement, which is repayable in 14 equal semi-annual installments of approximately \$1,574 and a balloon of \$31,466 payable on November 30, 2021. The loan bears interest at LIBOR plus a margin of 2%. Additionally, on July 16, 2018, the Company drew down \$75,000 under a new secured loan agreement with BNP. The loan is repayable in 20 consecutive quarterly installments of \$1,562.5 and a balloon installment of \$43,750 payable together with the last installment on July 16, 2023. The loan bears interest at LIBOR plus a margin of 2.3%.

Nordea Bank AB, London Branch: On March 19, 2015, the Company drew down \$93,080 under a secured loan agreement, which is repayable in 24 equal consecutive quarterly installments of about \$1,862 each and a balloon of about \$48,402 payable together with the last installment on March 19, 2021. The loan bears interest at LIBOR plus a margin of 2.1%.

ABN AMRO Bank N.V.: On March 30, 2015, the Company drew down \$50,160 under a secured loan agreement, which is repayable in 24 equal consecutive quarterly installments of about \$994 each and a balloon of \$26,310 payable together with the last installment on March 30, 2021. The loan bears interest at LIBOR plus a margin of 2.0%.

On March 30, 2016, the Company drew down \$25,755 under a new secured loan agreement, which was repayable in eight consecutive quarterly installments of \$855 each and a balloon installment of \$18,915 payable together with the last installment on June 30, 2019. The loan bore interest and LIBOR plus a margin of 3.00%. The loan was prepaid in full and was refinanced with a new loan agreement dated June 27, 2019. The Company drew down \$25,000 under the new loan agreement, which is repayable in 20 consecutive quarterly installments of \$800 each and a balloon installment of \$9,000 payable together with the last installment on June 28, 2024. The loan bears interest and LIBOR plus a margin of 2.25%.

Danish Ship Finance A/S: On April 30, 2015, the Company drew down \$30,000 under a loan agreement, which is repayable in 28 equal consecutive quarterly installments of \$500 each and a balloon of \$16,000 payable together with the last installment on April 30, 2022. The loan bears interest at LIBOR plus a margin of 2.15%.

ING Bank N.V.: On November 19, 2015, the Company drew down advance A of \$27,950 under a secured loan agreement, which is repayable in 28 consecutive quarterly installments of about \$466 each and a balloon installment of about \$14,907 payable together with the last installment on November 19, 2022. Advance B of \$11,733 was drawn on October 6, 2015 and is repayable in 28 consecutive quarterly installments of about \$293 each and a balloon installment of about \$3,520 payable together with the last installment on October 6, 2022. The loan bears interest at LIBOR plus a margin of 1.65%.

Export-Import Bank of China: On January 4, 2017, the Company drew down \$57,240 under a secured loan agreement, which is repayable in 60 equal quarterly instalments of \$954 each by January 4, 2032 and bears interest at LIBOR plus a margin of 2.3%.

DNB Bank ASA.: On March 14, 2019, the Company drew down \$19,000 under a secured loan agreement, which is repayable in 20 consecutive quarterly instalments of \$477.3 and a balloon of \$9,454 payable together with the last installment on March 14, 2024. The loan bears interest at LIBOR plus a margin of 2.4%.

As at December 31, 2019 and 2018, the Company was in compliance with all of its loan covenants.

The maturities of the Company’s debt facilities described above, as at December 31, 2019, and throughout their term, are shown in the table below:

Period	Principal Repayment
Year 1	\$ 41,242
Year 2	143,853
Year 3	83,827
Year 4	157,363
Year 5	24,347
Year 6 and thereafter	27,666
Total	\$ 478,298

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7. Commitments and Contingencies

a) Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. The Company accrues for the cost of environmental and other liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. The Company's vessels are covered for pollution in the amount of \$1 billion per vessel per incident, by the P&I Association in which the Company's vessels are entered.

b) As at December 31, 2019, all of the Company's vessels, except for two which were repositioning, were fixed under time charter agreements, considered operating leases. The minimum contractual gross charter revenue expected to be generated from fixed and non-cancelable time charter contracts existing as at December 31, 2019 and until their expiration was as follows:

Period	Amount
Year 1	\$ 88,112
Year 2	1,412
Total	\$ 89,524

8. Capital Stock and Changes in Capital Accounts

a) **Preferred stock:** As at December 31, 2019 and 2018, the Company's authorized preferred stock consists of 25,000,000 shares (all in registered form) of preferred stock, par value \$0.01 per share, of which 1,000,000 are designated as Series A Participating Preferred Shares, 5,000,000 are designated as Series B Preferred Shares and since January 2019, 10,675 are designated as Series C Preferred Shares.

b) **Series B Preferred Stock:** As at December 31, 2019 and 2018, the Company had 2,600,000 Series B Preferred Shares issued and outstanding with par value \$0.01 per share, at \$25.00 per share and with liquidation preference at \$25.00 per share and zero Series A Participating Preferred Shares issued and outstanding. Holders of series B preferred shares have no voting rights other than the ability, subject to certain exceptions, to elect one director if dividends for six quarterly dividend periods (whether or not consecutive) are in arrears and certain other limited protective voting rights. Also, holders of series B preferred shares, rank prior to the holders of common shares with respect to dividends, distributions and payments upon liquidation and are subordinated to all of the existing and future indebtedness.

Dividends on the Series B preferred shares are cumulative from the date of original issue and are payable on the 15th day of January, April, July and October of each year at the dividend rate of 8.875% per annum, or \$2.21875 per share per annum. For 2019, 2018 and 2017, dividends on Series B preferred shares amounted to \$5,769 for each year. Since February 14, 2019, the Company may redeem, in whole or in part, the series B preferred shares at a redemption price of \$25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared.

c) **Series C Preferred Stock:** As at December 31, 2019 the Company had 10,675 Series C Preferred Shares issued and outstanding with par value \$0.01 per share, issued on January 31, 2019 to an affiliate of its Chairman and Chief Executive Officer, Mr. Simeon Palios, for an aggregate purchase price of \$1,066. The Series C Preferred Stock votes with the common shares of the Company, and each share entitles the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Company. The transaction was approved unanimously by a committee of the Board of Directors established for the purpose of considering the transaction and consisting of the Company's independent directors. The Series C Preferred Stock has no dividend or liquidation rights and cannot be transferred without the consent of the Company except to the holder's affiliates and immediate family members. The net proceeds from the issuance of the shares amounted to \$960.

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d) Offering of common shares: On April 26, 2017, the Company issued a total 20,125,000 common shares, at a price of \$4.00 per share, in a public offering. As part of the offering, entities affiliated with Simeon Palios, the Company’s Chief Executive Officer and Chairman, executive officers and certain directors, purchased an aggregate of 5,500,000 common shares at the public offering price. The net proceeds from the offering after underwriting discounts and other offering expenses were \$77,311.

e) Repurchase of common shares: In December 2018, the Company repurchased a total of 4,166,666 common shares, at a price of \$3.60 per share, in a tender offer which commenced in November 2018. The total cost from the tender offer amounted to \$15,157. In March 2019, the Company repurchased in a tender offer 3,889,386 shares of its outstanding common stock at a price of \$2.80 per share. In June 2019, the Company repurchased 3,125,000 shares of its outstanding common stock at a price of \$3.40 per share. In July 2019, the Company repurchased 2,000,000 shares at a price of \$3.75 per share. In October 2019, the Company repurchased 2,816,900 shares at a price of \$3.55 per share and finally in December 2019, the Company repurchased 2,739,726 shares at a price of 3.65. The aggregate cost of the shares repurchased amounted to \$49,679, including expenses.

f) Incentive plan: In November 2014, the Company adopted the 2014 Equity Incentive Plan, or the Plan, to issue awards to Key Persons in the form of (a) non-qualified stock, (b) stock appreciation rights, (c) restricted stock, (d) restricted stock units, (e) dividend equivalents, (f) unrestricted stock and (g) other equity-based or equity-related Awards for a maximum number of 5,000,000 shares of common stock. This number was increased to 13,000,000 on May 31, 2018, after an amendment of the Plan. Restricted shares vest ratably over a specified period, and are subject to forfeiture until they vest. Unless they forfeit, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares. As at December 31, 2019, 7,124,759 remained reserved for issuance.

Restricted stock for 2019, 2018 and 2017, is analyzed as follows:

	Number of Shares	Weighted Average Grant Date Price
Outstanding at December 31, 2016	3,942,666	\$ 4.89
Granted	1,310,000	3.95
Vested	(1,611,549)	5.46
Outstanding at December 31, 2017	3,641,117	\$ 4.30
Granted	1,800,000	3.82
Vested	(1,679,484)	4.38
Outstanding at December 31, 2018	3,761,633	\$ 4.04
Granted	2,000,000	2.99
Vested	(1,928,400)	3.75
Outstanding at December 31, 2019	3,833,233	\$ 3.63

All restricted share awards issued during 2019, 2018 and 2017 have a vesting period of three years each. The fair value of the restricted shares has been determined with reference to the closing price of the Company’s stock on the date the agreements were signed. The aggregate compensation cost is being recognized ratably in the consolidated statement of operations over the respective vesting periods. For 2019, 2018 and 2017 an amount of \$7,581, \$7,279, and \$8,232, respectively, was recognized in “General and administrative expenses” presented in the accompanying consolidated statements of operations.

At December 31, 2019 and 2018, the total unrecognized cost relating to restricted share awards was \$8,505 and \$10,106, respectively. At December 31, 2019, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 0.85 years.

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g) Share Repurchase Agreement: On May 22, 2014, the Company’s Board of Directors authorized a share repurchase plan for up to \$100,000 worth of shares of the Company’s common stock. During 2019, 2018, and 2017, the Company did not repurchase any shares (Note 13(c)).

9. Interest and Finance Costs

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	2019	2018	2017
Interest expense	\$ 27,963	\$ 28,299	\$ 24,978
Amortization of financing costs	1,126	1,939	1,455
Loan expenses	343	268	195
Total	\$ 29,432	\$ 30,506	\$ 26,628

Total interest on long-term debt for 2019, 2018 and 2017 amounted to \$27,963, \$28,299 and \$24,991, respectively, of which \$0, \$0 and \$13, respectively, were capitalized and included “Vessels, net book value”, in the accompanying consolidated balance sheets.

10. Earnings/(loss) per Share

All common shares issued (including the restricted shares issued under the Company’s incentive plans) are the Company’s common stock and have equal rights to vote and participate in dividends. The calculation of basic earnings/(loss) per share does not treat the non-vested shares (not considered participating securities) as outstanding until the time/service-based vesting restriction has lapsed. Incremental shares are the number of shares assumed issued under the treasury stock method weighted for the periods the non-vested shares were outstanding. For 2018, the denominator of the diluted earnings per share calculation includes 979,141 shares, being the number of incremental shares assumed issued under the treasury stock method weighted for the periods the non-vested shares were outstanding. For 2019 and 2017, the Company incurred losses, therefore the effect of incremental shares was anti-dilutive and basic and diluted loss per share was the same.

Profit or loss attributable to common equity holders is adjusted by the amount of dividends on Series B Preferred Stock as follows:

	2019	2018	2017
Net income/(loss)	\$ (10,535)	\$ 16,580	\$ (511,714)
Less dividends on series B preferred shares	(5,769)	(5,769)	(5,769)
Net income/(loss) attributed to common stockholders	\$ (16,304)	\$ 10,811	\$ (517,483)
Weighted average number of common shares, basic	95,191,116	103,736,742	95,731,093
Incremental shares	-	979,141	-
Weighted average number of common shares, diluted	95,191,116	104,715,883	95,731,093
Earnings/(loss) per share, basic and diluted	\$ (0.17)	\$ 0.10	\$ (5.41)

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11. Income Taxes

Under the laws of the countries of the companies' incorporation and / or vessels' registration, the companies are not subject to tax on international shipping income; however, they are subject to registration and tonnage taxes, which are included in vessel operating expenses in the accompanying consolidated statements of operations.

The vessel-owning companies with vessels that have called on the United States are obliged to file tax returns with the Internal Revenue Service. However, pursuant to the Internal Revenue Code of the United States, U.S. source income from the international operations of ships is generally exempt from U.S. tax. The applicable tax is 50% of 4% of U.S.-related gross transportation income unless an exemption applies. The Company and each of its subsidiaries expects it qualifies for this statutory tax exemption for the 2019, 2018 and 2017 taxable years, and the Company takes this position for United States federal income tax return reporting purposes.

12. Financial Instruments and Fair Value Disclosures

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair values of long-term bank loans approximate the recorded values, due to their variable interest rates.

The fair value of the Bond (Note 6) having a fixed interest rate amounted to \$99,250 as of December 31, 2019, and was determined through the Level 1 input of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements based on the quoted price of the instrument on that date stated under the ticker symbol "DIASH01" on the Oslo Børs.

During 2019, the vessels *Danae*, *Dione*, *Thetis* and *Calipso* were measured at their fair value determined through the Level 1 input of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements based on the agreed price to sell the vessels, less costs to sell, as a result from their classification as held for sale at the dates of their memoranda of agreement (Note 4).

At December 31, 2019, three vessels were recorded at fair value as their estimated cash flows over their remaining useful lives and their eventual disposition was less than their carrying amount. The fair value of one vessel was determined through Level 1 input of the fair value hierarchy, based on the agreed price to sell the vessel (Notes 4 and 13) and for the other two through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations which were based on the last done deals of sale of vessels with similar characteristics, such as type, size and age.

The Company is exposed to interest rate fluctuations associated with its variable rate borrowings. Currently, the company does not have any derivative instruments to manage such fluctuations.

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13. Subsequent Events

- a) Series B Preferred Stock Dividends:** On January 15, 2020, the Company paid a dividend on its series B preferred stock, amounting to \$0.5546875 per share, or \$1,442, to its stockholders of record as of January 14, 2020.
- b) Sale of vessels:** On January 29, 2020, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Norfolk*, for a sale price of \$9,350 before commissions. In February 2020, the buyers of *Calipso* (Note 4) and the buyers of *Norfolk* elected to exercise their right to cancel the contract as a result of vessels' missing the cancelling dates due to unforeseen events, unrelated to the condition of the vessels. On February 26, 2020, the Company signed a new Memorandum of Agreement to sell the vessel *Norfolk* to an unaffiliated third party for a sale price of \$8,750 before commissions and was delivered to the buyer in March 2020.
- c) Share repurchases:** On February 7, 2020, the Company repurchased, in a tender offer announced in January 2020, 3,030,303 shares of its common stock at a price of \$3.30 per share. Additionally, in March 2020, the Company repurchased 1,088,034 shares of common stock under its share repurchase plan authorized in May 2014, for \$1,895 including commissions (Note 8(g)).
- d) Investment in Performance Shipping:** In February 2020, the Company received an offer from Performance Shipping to redeem the Series C Preferred Stock owned by the Company for an aggregate price of \$1,500. The Company's Board of Directors formed a special committee to evaluate the transaction with the assistance of an independent financial advisor. The transaction was recommended by the special committee to the Board of Directors, which resolved to accept the offer. The transaction was concluded on March 27, 2020 with the receipt of the related funds by Performance Shipping.
- e) Annual Incentive Bonus:** On February 19, 2020 the Company's Board of Directors approved the award of 2,200,000 shares of restricted common stock to executive management and non-executive directors, pursuant to the Company's 2014 equity incentive plan. The fair value of the restricted shares based on the closing price on the date of the Board of Directors' approval was about \$5,984 and will be recognized in income ratably over the restricted shares vesting period which will be 3 years for all directors except for two whose shares will be awarded without vesting restrictions due to their resignation from the board.
- f) Covid-19 outbreak:** On March 11, 2020, the World Health Organization declared the 2019 Novel Coronavirus (the "Covid-19") outbreak a pandemic. In response to the outbreak, many countries, ports and organizations, including those where the Company conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. The Company's financial and operating performance may be adversely affected by the recent coronavirus outbreak. Any prolonged restrictive measures in order to control the spread of Covid-19, or other adverse public health developments in Asia or in other geographies in which the Company's vessels operate may significantly impact the demand for the Company's vessels and in turn, may eventually lead to a material and adverse effect on the Company's business operations, and financial condition.

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, Diana Shipping Inc. (the "Company") had three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended:

- (1) Common stock, \$0.01 par value (the "common shares");
- (2) Preferred stock purchase rights (the "Preferred Stock Purchase Rights"); and
- (3) 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares, \$0.01 par value (the "Series B Preferred Shares").

The following description sets forth certain material provisions of these securities. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of (i) the Company's Amended and Restated Articles of Incorporation, as amended (the "Articles of Incorporation") and (ii) the Company's Amended and Restated Bylaws (the "Bylaws"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit is a part. We encourage you to refer to our Articles of Incorporation and Bylaws for additional information.

Please note in this description of securities, "we", "us", "our" and "the Company" all refer to Diana Shipping Inc. and its subsidiaries, unless the context requires otherwise.

DESCRIPTION OF COMMON SHARES

The respective number of common shares issued and outstanding as of the last day of the fiscal year for the annual report on Form 20-F to which this description is attached or incorporated by reference as an exhibit, is provided on the cover page of such annual report on Form 20-F.

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of shares of common stock are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock will be entitled to receive pro rata our remaining assets available for distribution. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of our preferred stock.

Voting Rights

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. At any annual or special general meeting of shareholders where there is a quorum, the affirmative vote of a majority of the votes cast by holders of shares of stock represented at the meeting shall be the act of the shareholders. (Under the Bylaws, at all meetings of shareholders except otherwise expressly provided by law, there must be present in person or proxy shareholders of record holding at least 33 1/3% of the shares issued and outstanding and entitled to vote at such meeting in order to constitute a quorum.)

Our Bylaws do not confer any conversion, redemption or preemptive rights attached to our common shares.

Dividend Rights

Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends.

Liquidation Rights

Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of our preferred shares having liquidation preferences, if any, the holders of our common shares will be entitled to receive pro rata our remaining assets available for distribution.

Variation of Rights

Generally, the rights or privileges attached to our common shares may be varied or abrogated by the rights of the holders of our preferred shares, including our existing classes of preferred shares and any preferred shares we may issue in the future.

Limitations on Ownership

Under Marshall Islands law generally, there are no limitations on the right of non-residents of the Marshall Islands or owners who are not citizens of the Marshall Islands to hold or vote our common shares.

Anti-takeover Effect of Certain Provisions of our Amended and Restated Articles of In Company and Bylaws

Several provisions of our amended and restated articles of incorporation and bylaws may have anti-takeover effects. These provisions, which are summarized below, are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions could also discourage, delay or prevent (i) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise that a stockholder may consider in its best interest and (ii) the removal of incumbent officers and directors.

Business Combinations

Our amended and restated articles of incorporation generally prohibit us from entering into a business combination with an "interested shareholder" for a period of three years following the date on which the person became an interested shareholder. Interested shareholder is defined, with certain exceptions, as a person who (i) owns more than 15% of our outstanding voting stock, or (ii) is an affiliate or associate of the Company that owned more than 15% of our outstanding stock at any time in the prior three years from the date the determination is being made as to whether he or she is an interested shareholder.

This prohibition does not apply in certain circumstances such as if (i) prior to the person becoming an interested shareholder, our board of directors approved the business combination or the transaction which resulted in the person becoming an interested shareholder, or (ii) the person became an interested shareholder prior to the Company's initial public offering.

Blank Check Preferred Stock

Under the terms of our amended and restated articles of incorporation, our board of directors has authority, without any further vote or action by our stockholders, to issue up to 25,000,000 shares of blank check preferred stock. Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Classified Board of Directors

Our amended and restated articles of incorporation provide for the division of our board of directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms. Approximately one-third of our board of directors is elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay stockholders who do not agree with the policies of our board of directors from removing a majority of our board of directors for two years.

Election and Removal of Directors

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our amended and restated bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our amended and restated articles of incorporation also provide that our directors may be removed only for cause and only upon the affirmative vote of a majority of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors. The Articles prohibit the use of cumulative voting to elect Directors.

Limited Actions by Stockholders

Our amended and restated articles of incorporation and bylaws provide that any action required or permitted to be taken by our stockholders must be effected at an annual or special meeting of stockholders or by the unanimous written consent of our stockholders. Our amended and restated articles of incorporation and bylaws provide that, subject to certain exceptions, our Chairman, Chief Executive Officer, or Secretary at the direction of the board of directors or holders of not less than one-fifth of all outstanding shares may call special meetings of our stockholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a stockholder may be prevented from calling a special meeting for stockholder consideration of a proposal over the opposition of our board of directors and stockholder consideration of a proposal may be delayed until the next annual meeting.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our amended and restated bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the date on which we first mailed our proxy materials for the preceding year's annual meeting. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

DESCRIPTION OF THE SERIES B PREFERRED SHARES

On February 3, 2014, we filed a Prospectus Statement for the registration of 2,400,000 of our 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares, par value \$0.01 per share, with a liquidation preference of \$25.00 per share.

We have summarized the material terms and conditions of the rights of these Series B Preferred Shares below. For a complete description of the rights, we encourage you to read the "Description of Registrant's Securities to be Registered", which we have filed as an exhibit to the Form 8-A on February 13, 2014.

Dividends

Under the Agreement, we declared a dividend payment of 8.875% per annum per \$25.00 liquidation preference per share (equal to \$2.21875 per annum per share). These dividends accrue and are cumulative from the date the Series B Cumulative shares are originally issued. The dividends are payable, as and if declared by the Board on January 15, April 15, July 15 and October 15 of each year.

Liquidation Preference

Holders of the Series B Preferred Shares are entitled to a liquidation preference. Upon the occurrence of a liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary (a "Liquidation Event"), Holders of Series B Preferred Shares shall be entitled to receive out of the assets of the Company or proceeds thereof legally available for distribution to stockholders of the Company, (i) after satisfaction of all liabilities, if any, to creditors of the Company, (ii) after all applicable distributions of such assets or proceeds being made to or set aside for the holders of any Senior Stock then outstanding in respect of such Liquidation Event, (iii) concurrently with any applicable distributions of such assets or proceeds being made to or set aside for holders of any Parity Stock then outstanding in respect of such Liquidation Event and (iv) before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other classes or series of Junior Stock as to such distribution, a liquidating distribution or payment in full redemption of such Series B Preferred Shares in an amount initially equal to \$25.00 per share in cash, plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment of such amount (whether or not declared).

Voting Rights

In the event that six quarterly dividends, whether consecutive or not, payable on the Series B Preferred Shares are in arrears, the Holders of Series B Preferred Shares shall have the right, voting as a class together with holders of any Parity Stock upon which like voting rights have been conferred and are exercisable, at the next meeting of stockholders called for the election of directors, to elect one member of the Board of Directors, and the size of the Board of Directors shall be increased as needed to accommodate such change.

Unless the Company shall have received the affirmative vote or consents of the Holders of at least two-thirds of the outstanding Series B Preferred Shares, voting as a single class, the Company may not adopt any amendment to the Articles of Incorporation that adversely alters the preferences, powers or rights of the Series B Preferred Shares.

Unless the Company shall have received the affirmative vote or consent of the Holders of at least two-thirds of the outstanding Series B Preferred Shares, voting as a class together with holders of any other Parity Stock upon which like voting rights have been conferred and are exercisable, the Company may not (x) issue any Parity Stock if the cumulative dividends payable on outstanding Series B Preferred Shares are in arrears or (y) create or issue any Senior Stock.

Redemption Rights

The Company shall have the right at any time on or after February 14, 2019 to redeem the Series B Preferred Shares, in whole or from time to time in part, from any funds available for such purpose. Any such redemption shall occur on a date set by the Company.

DESCRIPTION OF PREFERRED STOCK PURCHASE RIGHTS

On January 15, 2016, we entered into a Stockholders Rights Agreement, or the Rights Agreement, with Computershare Trust Company, N.A., as Rights Agent, to replace the Amended and Restated Stockholders Rights Agreement dated October 7, 2008.

Under the Rights Agreement, we declared a dividend payable of one preferred stock purchase right, or Right, for each share of common stock outstanding at the close of business on January 26, 2016. Each Right entitles the registered holder to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock, par value \$0.01 per share, at an exercise price of \$40.00 per share. The Rights will separate from the common stock and become exercisable only if a person or group acquires beneficial ownership of 18.5% or more of our common stock (including through entry into certain derivative positions) in a transaction not approved by our board of directors. In that situation, each holder of a Right (other than the acquiring person, whose Rights will become void and will not be exercisable) will have the right to purchase, upon payment of the exercise price, a number of shares of our common stock having a then-current market value equal to twice the exercise price. In addition, if the Company is acquired in a merger or other business combination after an acquiring person acquires 18.5% or more of our common stock, each holder of the Right will thereafter have the right to purchase, upon payment of the exercise price, a number of shares of common stock of the acquiring person having a then-current market value equal to twice the exercise price. The acquiring person will not be entitled to exercise these Rights. Until a Right is exercised, the holder of a Right will have no rights to vote or receive dividends or any other stockholder rights.

The Rights may have anti-takeover effects. The Rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us. Because our board of directors can approve a redemption of the Rights or a permitted offer, the Rights should not interfere with a merger or other business combination approved by our board of directors.

We have summarized the material terms and conditions of the Rights Agreement and the Rights below. For a complete description of the Rights, we encourage you to read the Rights Agreement, which we have filed as an exhibit to the registration statement filed with the Commission on June 28, 2018.

Detachment of the Rights

The Rights are attached to all certificates representing our currently outstanding common stock, or, in the case of uncertificated common shares registered in book entry form, which we refer to as "book entry shares," by notation in book entry accounts reflecting ownership, and will attach to all common stock certificates and book entry shares we issue prior to the Rights distribution date that we describe below. The Rights are not exercisable until after the Rights distribution date and will expire at the close of business on January 14, 2026, unless we redeem or exchange them earlier as we describe below. The Rights will separate from the common stock and a Rights distribution date would occur, subject to specified exceptions, on the earlier of the following two dates:

- the 10th day after public announcement that a person or group has acquired ownership of 15% or more of the Company's common stock; or
- the 10th business day (or such later date as determined by the Company's board of directors) after a person or group announces a tender or exchange offer which would result in that person or group holding 15% or more of the Company's common stock.

"Acquiring person" is generally defined in the Rights Agreement as any person, together with all affiliates or associates, who beneficially owns 18.5% or more of the Company's common stock. However, the Company, any subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company, or any person holding shares of common stock for or pursuant to the terms of any such plan, are excluded from the definition of "acquiring person." In addition, persons who beneficially own 18.5% or more of the Company's common stock on the effective date of the Rights Agreement are excluded from the definition of "acquiring person" until such time as they acquire additional shares in excess of 2% of the Company's then outstanding common stock as specified in the Rights Agreement for purposes of the Rights, and therefore, until such time, their ownership cannot trigger the Rights. Specified "inadvertent" owners that would otherwise become an acquiring person, including those who would have this designation as a result of repurchases of common stock by us, will not become acquiring persons as a result of those transactions.

Our board of directors may defer the Rights distribution date in some circumstances, and some inadvertent acquisitions will not result in a person becoming an acquiring person if the person promptly divests itself of a sufficient number of shares of common stock.

Until the Rights distribution date:

- our common stock certificates and book entry shares will evidence the Rights, and the Rights will be transferable only with those certificates; and
- any new common stock will be issued with Rights and new certificates or book entry shares, as applicable, will contain a notation incorporating the Rights Agreement by reference.

As soon as practicable after the Rights distribution date, the Rights agent will mail certificates representing the Rights to holders of record of common stock at the close of business on that date. After the Rights distribution date, only separate Rights certificates will represent the Rights.

We will not issue Rights with any shares of common stock we issue after the Rights distribution date, except as our board of directors may otherwise determine.

Flip-In Event

A "flip-in event" will occur under the Rights Agreement when a person becomes an acquiring person other than pursuant to certain kinds of permitted offers. An offer is permitted under the Rights Agreement if a person will become an acquiring person pursuant to a merger or other acquisition agreement that has been approved by our board of directors prior to that person becoming an acquiring person.

If a flip-in event occurs and we have not previously redeemed the Rights as described under the heading "Redemption of Rights" below or, if the acquiring person acquires less than 50% of our outstanding common stock and we do not exchange the Rights as described under the heading "Exchange of Rights" below, each Right, other than any Right that has become void, as we describe below, will become exercisable at the time it is no longer redeemable for the number of shares of common stock, or, in some cases, cash, property or other of our securities, having a current market price equal to two times the exercise price of such right.

When a flip-in event occurs, all Rights that then are, or in some circumstances that were, beneficially owned by or transferred to an acquiring person or specified related parties will become void in the circumstances the Rights Agreement specifies.

Flip-Over Event

A "flip-over event" will occur under the Rights Agreement when, at any time after a person has become an acquiring person:

- we are acquired in a merger or other business combination transaction, other than specified mergers that follow a permitted offer of the type we describe above; or
- 50% or more of our assets or earning power is sold or transferred.

If a flip-over event occurs, each holder of a Right, other than any Right that has become void as we describe under the heading "Flip-In Event" above, will have the right to receive the number of shares of common stock of the acquiring company which has a current market price equal to two times the exercise price of such Right.

Anti-dilution

The number of outstanding Rights associated with our common stock is subject to adjustment for any stock split, stock dividend or subdivision, combination or reclassification of our common stock occurring prior to the Rights distribution date. With some exceptions, the Rights Agreement will not require us to adjust the exercise price of the Rights until cumulative adjustments amount to at least 1% of the exercise price. It also will not require us to issue fractional shares of our Series A Participating Preferred Stock that are not integral multiples of one-thousandth of a share, and, instead we may make a cash adjustment based on the market price of the common stock on the last trading date prior to the date of exercise.

Redemption of Rights

At any time until the date on which the occurrence of a flip-in event is first publicly announced, we may order redemption of the Rights in whole, but not in part, at a redemption price of \$0.01 per right. The redemption price is subject to adjustment for any stock split, stock dividend or similar transaction occurring before the date of redemption. At our option, we may pay that redemption price in cash or shares of common stock. The Rights are not exercisable after a flip-in event if they are timely redeemed by us or until ten days following the first public announcement of a flip-in event. If our board of directors timely orders the redemption of the Rights, the Rights will terminate on the effectiveness of that action.

Exchange of Rights

We may, at our option, exchange the Rights (other than Rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which have become void), in whole or in part. The exchange will be at an exchange ratio of one share of common stock per right, subject to specified adjustments at any time after the occurrence of a flip-in event and prior to any person other than us or our existing stockholders becoming the beneficial owner of 50% or more of our outstanding common stock for the purposes of the Rights Agreement.

Amendment of Terms of Rights

During the time the Rights are redeemable, we may amend any of the provisions of the Rights Agreement, other than by decreasing the redemption price. Once the Rights cease to be redeemable, we generally may amend the provisions of the Rights Agreement, other than to decrease the redemption price, only as follows:

- to cure any ambiguity, defect or inconsistency;
 - to make changes that do not materially adversely affect the interests of holders of Rights, excluding the interests of any acquiring person; or
 - to shorten or lengthen any time period under the Rights Agreement, except that we cannot lengthen the time period governing redemption or lengthen any time period that protects, enhances or clarifies the benefits of holders of Rights other than an acquiring person.
-

Transfer of Shares

The Board of Directors has the power and authority to make such rules and regulations as they may deem expedient concerning the issuance, registration and transfer of shares of the Company's stock, and may appoint transfer agents and registrars thereof.

Comparison of Marshall Island Law to Delaware Law

The following table provides a comparison between some statutory provisions of the Delaware General Company Law and the Marshall Islands Business Corporations Act relating to shareholders' rights.

Marshall Islands	Delaware
Shareholder Meetings	
Held at a time and place as designated in the bylaws.	May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors.
Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the articles of incorporation or by the bylaws.	Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.
May be held within or without the Marshall Islands.	May be held within or without Delaware.
Notice:	Notice:
Whenever shareholders are required to take any action at a meeting, written notice of the meeting shall be given which shall state the place, date and hour of the meeting and, unless it is an annual meeting, indicate that it is being issued by or at the direction of the person calling the meeting. Notice of a special meeting shall also state the purpose for which the meeting is called.	Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any.
A copy of the notice of any meeting shall be given personally, sent by mail or by electronic mail not less than 15 nor more than 60 days before the meeting.	Written notice shall be given not less than 10 nor more than 60 days before the meeting.
Shareholders' Voting Rights	
Unless otherwise provided in the articles of incorporation, any action required to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by all the shareholders entitled to vote with respect to the subject matter thereof, or if the articles of incorporation so provide, by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.	Any action required to be taken at a meeting of shareholders may be taken without a meeting if a consent for such action is in writing and is signed by shareholders having not fewer than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.
Any person authorized to vote may authorize another person or persons to act for him by proxy.	Any person authorized to vote may authorize another person or persons to act for him by proxy.
Unless otherwise provided in the articles of incorporation or bylaws, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting.	For stock corporations, the certificate of incorporation or bylaws may specify the number of shares required to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.
When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.	When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.
The articles of incorporation may provide for cumulative voting in the election of directors.	The certificate of incorporation may provide for cumulative voting in the election of directors.

Marshall Islands

Delaware

Merger or Consolidation

Any two or more domestic corporations may merge into a single corporation if approved by the board and if authorized by a majority vote of the holders of outstanding shares at a shareholder meeting.

Any sale, lease, exchange or other disposition of all or substantially all the assets of a corporation, if not made in the corporation's usual or regular course of business, once approved by the board, shall be authorized by the affirmative vote of two-thirds of the shares of those entitled to vote at a shareholder meeting.

Any domestic corporation owning at least 90% of the outstanding shares of each class of another domestic corporation may merge such other corporation into itself without the authorization of the shareholders of any corporation.

Any mortgage, pledge of or creation of a security interest in all or any part of the corporate property may be authorized without the vote or consent of the shareholders, unless otherwise provided for in the articles of incorporation.

Directors

The board of directors must consist of at least one member.

The number of board members may be changed by an amendment to the bylaws, by the shareholders, or by action of the board under the specific provisions of a bylaw.

If the board is authorized to change the number of directors, it can only do so by a majority of the entire board and so long as no decrease in the number shall shorten the term of any incumbent director.

Removal:

Any or all of the directors may be removed for cause by vote of the shareholders.

If the articles of incorporation or the bylaws so provide, any or all of the directors may be removed without cause by vote of the shareholders.

Any two or more corporations existing under the laws of the state may merge into a single corporation pursuant to a board resolution and upon the majority vote by shareholders of each constituent corporation at an annual or special meeting.

Every corporation may at any meeting of the board sell, lease or exchange all or substantially all of its property and assets as its board deems expedient and for the best interests of the corporation when so authorized by a resolution adopted by the holders of a majority of the outstanding stock of the corporation entitled to vote.

Any corporation owning at least 90% of the outstanding shares of each class of another corporation may merge the other corporation into itself and assume all of its obligations without the vote or consent of shareholders; however, in case the parent corporation is not the surviving corporation, the proposed merger shall be approved by a majority of the outstanding stock of the parent corporation entitled to vote at a duly called shareholder meeting.

Any mortgage or pledge of a corporation's property and assets may be authorized without the vote or consent of shareholders, except to the extent that the certificate of incorporation otherwise provides.

The board of directors must consist of at least one member.

The number of board members shall be fixed by, or in a manner provided by, the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by an amendment to the certificate of incorporation.

If the number of directors is fixed by the certificate of incorporation, a change in the number shall be made only by an amendment of the certificate.

Removal:

Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote unless the certificate of incorporation otherwise provides.

In the case of a classified board, shareholders may effect removal of any or all directors only for cause.

Dissenters' Rights of Appraisal

Shareholders have a right to dissent from any plan of merger, consolidation or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their shares. However, the right of a dissenting shareholder under the BCA to receive payment of the appraised fair value of his shares shall not be available for the shares of any class or series of stock, which shares or depository receipts in respect thereof, at the record date fixed to determine the shareholders entitled to receive notice of and to vote at the meeting of the shareholders to act upon the agreement of merger or consolidation, were either (i) listed on a securities exchange or admitted for trading on an interdealer quotation system or (ii) held of record by more than 2,000 holders. The right of a dissenting shareholder to receive payment of the fair value of his or her shares shall not be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the shareholders of the surviving corporation.

A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment:

- Alters or abolishes any preferential right of any outstanding shares having preference; or
- Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or
- Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or
- Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class.

Shareholder's Derivative Actions

An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law.

A complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort.

Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of the Marshall Islands.

Reasonable expenses including attorney's fees may be awarded if the action is successful.

A corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of outstanding shares or holds voting trust certificates or a beneficial interest in shares representing less than 5% of any class of such shares and the shares, voting trust certificates or beneficial interest of such plaintiff has a fair value of \$50,000 or less.

Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation, subject to limited exceptions, such as a merger or consolidation of corporations listed on a national securities exchange in which listed stock is offered for consideration is (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders.

In any derivative suit instituted by a shareholder of a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder's stock thereafter devolved upon such shareholder by operation of law.

Other requirements regarding derivative suits have been created by judicial decision, including that a shareholder may not bring a derivative suit unless he or she first demands that the corporation sue on its own behalf and that demand is refused (unless it is shown that such demand would have been futile).

STEAMSHIP SHIPBROKING ENTERPRISES INC.

THIS AGREEMENT dated this 1st day of April 2019 by and between Diana Shipping Inc., a Marshall Islands company having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Company") and Steamship Shipbroking Enterprises Inc. a Marshall Islands company having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Broker").

BY WHICH, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. The Company. Diana Shipping Inc. is a leading global provider of shipping transportation services through its ownership of dry bulk vessels. The Company's vessels are employed primarily on medium to long-term time charters and transport a range of dry bulk cargoes, including such commodities as iron ore, coal, grain and other materials along worldwide shipping routes.

2. Engagement. The Company hereby engages the Broker to act as broker for the Company and for any of its affiliated companies that own vessels managed by Diana Shipping Services S.A. as directed by the Company to assist the Company in the provision of the Services by providing to the Company or to an entity designated by the Company from time to time, brokerage services relating to the purchase, sale or chartering of vessels, brokerage services relating to the repairs and other maintenance of vessels, and any relevant consulting services permitted by Greek laws or the Broker's Law 27/1975 license (collectively the "Brokerage Services"), and the Broker hereby accepts such appointment.

3. Duration. The duration of the engagement shall be for a term of twelve (12) months commencing the 1st day of April 2019 and ending (unless terminated earlier on the basis of any other provision of this Agreement) on the 31st day of March 2020 (the said period as it may be extended being hereinafter referred to as the "Term").

4. Representations of Broker. The Broker represents that it has personnel fully qualified, without the benefit of any further training or experience and has obtained all necessary permits and licenses, to perform the Brokerage Services. The duties of the Broker shall be offered on a worldwide basis. Broker's duties and responsibilities hereunder shall always be subject to the policies and directives of the board of directors of the Company as communicated from time to time to the Broker. Subject to the above, the precise duties, responsibilities and authority of the Broker may be expanded, limited or modified, from time to time, at the discretion of the board of directors of the Company.

5. Commission. Because of their permanent relation the Company shall pay the Broker a lump sum commission in the amount of United States Dollars \$166,500 per month,

starting on the 1st day of April 2019 payable quarterly in advance, subject to required deductions and withholdings. Commissions on a percentage basis for specific deals may be agreed by separate agreements in writing.

6. Expenses. The Company shall not pay or reimburse the Broker for any out-of-pocket expenses as such expenses are included in the commission paid to the Broker.

7. Termination. This Agreement, unless otherwise agreed in writing between the parties, shall be terminated as follows:

- (a) At the end of the Term, unless extended by mutual agreement in writing.
- (b) The parties, by mutual agreement, may terminate this Agreement at any time.
- (c) Either party may terminate this Agreement for any material breach by the other party of their respective obligations under this Agreement.

8. Change of Control.

(a) In the event of a "Change in Control" (as defined herein) within the duration of this Agreement, the Broker has the option to terminate this Agreement within six (6) months following such Change in Control, and shall be eligible to receive the payment specified in sub-paragraph (c), below, provided that the conditions of said paragraph are satisfied.

(b) For purposes of this Agreement, the term "Change of Control" shall mean the:

- (i) acquisition by any individual, entity or group of beneficial ownership of twenty-five percent (25%) or more of either (A) the then-outstanding shares of common stock of the Company (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that this Clause 8(b)(i) shall not apply to an individual, entity or group that beneficially owns twenty-five percent (25%) or more as of the date the Company's common shares are approved for listing on the NYSE.
 - (ii) consummation of a reorganization, merger or consolidation of the Company or the sale or other disposition of all or substantially all of the assets of the Company and/or of the Affiliates; or
 - (iii) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.
-

(c) If the Broker terminates this Agreement within six (6) months following a Change of Control, the Broker shall receive a payment equal to five (5) years' annual commission. Receipt of the foregoing shall be contingent upon the Broker's execution and non-revocation of a Release of Claims in favor of the Company and the Affiliates in a form that is reasonably satisfactory to the Company and its counsel.

9. Notices. Every notice, request, demand or other communication under this Agreement shall:

(a) be in writing delivered personally or by courier or by fax or shall be served through a process server;

(b) be deemed to have been received, subject as otherwise provided in this Agreement in the case of fax upon receipt of a successful transmission report (or — if sent after business hours — the following business day) and in the case of a letter when delivered personally or through courier or served at the address below; and

(c) be sent:

(i) If to the Company, to:
c/o Diana Shipping Services S.A.
Pendelis 16, Palaio Faliro, 175 64
Athens, Greece
Telephone: +30 210 9470000
Telefax: +30 210 9424975
Attn: Director and President

(ii) If to the Broker, to:
c/o Steamship Shipbroking Enterprises Inc.
Ymittou 6, Palaio Faliro, 175 64
Athens, Greece
Telephone: +30 210 9485360
Telefax: +30 210 9401810
Attn: Director and President

or to such other person, address or telefax, as is notified by the relevant Party to the other Party to this Agreement and such notification shall not become effective until notice of such change is actually received by the other Party. Until such change of person or address is notified, any notification to the above addresses and fax numbers are agreed to be validly effected for the purposes of this Agreement.

10. Entire Agreement. This Agreement supersedes all prior agreements written or

oral, with respect thereto.

11. Amendments. This Agreement may be amended, superseded, canceled, renewed or extended and the terms hereof may be waived, only by a written instrument signed by the parties.

12. Independent Contractor. All services provided hereunder shall be provided by the Broker as an independent contractor. No employment contract, partnership or joint venture between the Broker and the Company has been created in or by this Agreement or as a result of services provided hereunder.

13. Assignment. This Agreement, and the Broker's rights and obligations hereunder, may not be assigned by the Broker; any purported assignment in violation hereof shall be null and void. This Agreement, and the Company's rights and obligations hereunder, may not be assigned by the Company; provided, however, that in the event of any sale, transfer or other disposition of all or substantially all of the Company's assets and business, whether by merger, consolidation or otherwise, the Company shall assign this Agreement and its rights hereunder to the successor to its assets and business.

14. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representative.

15. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

16. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

17. Governing Law and Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with English Law.

(b) Any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this clause.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day

and year first above written.

DIANA SHIPPING INC.

/s/ Simeon Palios

By: Simeon Palios

Title: Director, Chief Executive Officer and
Chairman of the Board

STEAMSHIP SHIPBROKING ENTERPRISES INC.

/s/ Andreas Nikolaos Michalopoulos

By: Andreas Nikolaos Michalopoulos

Title: Director and Secretary

\$25,000,000

Secured Loan Agreement

Dated 27 June 2019

- (1) **Kaben Shipping Company Inc.
Taroa Shipping Company Inc.
Gala Properties Inc.
(as Borrowers)**
- (2) **Diana Shipping Inc.
(as Original Guarantor)**
- (3) **The Financial Institutions
listed in Schedule 1
(as Original Lenders)**
- (4) **ABN AMRO Bank N.V.
(as Lender)**
- (5) **ABN AMRO Bank N.V.
(as Facility Agent)**
- (5) **ABN AMRO Bank N.V.
(as Swap Provider)**
- (6) **ABN AMRO Bank N.V.
(as Security Agent)**

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**STEPHENSON
HARWOOD**

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Loan Agreement

Dated 27 June 2019

Between:

- (1) **Kaben Shipping Company Inc. ("Kaben"), Taroa Shipping Company Inc. ("Taroa") and Gala Properties Inc. ("Gala")**, each a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (together, the "**Borrowers**" and each a "**Borrower**") jointly and severally; and
- (2) **Diana Shipping Inc.**, a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the "**Original Guarantor**"); and
- (3) **The Financial Institutions** listed in Schedule 1 (*The Parties*), each acting through its Facility Office (together, the "**Original Lenders**" and each an "**Original Lender**"); and
- (4) **ABN AMRO Bank N.V.**, a banking corporation duly incorporated under the laws of the Netherlands whose registered office is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, acting as agent through its office at Coolsingel 93, 3012 AE Rotterdam, The Netherlands (in that capacity, the "**Agent**"); and
- (5) **ABN AMRO Bank N.V.**, acting as swap provider through its office at Coolsingel 93, 3012 AE Rotterdam, The Netherlands (in that capacity, the "**Swap Provider**"); and
- (6) **ABN AMRO Bank N.V.**, acting as security agent through its office at Coolsingel 93, 3012 AE Rotterdam, The Netherlands (in that capacity, the "**Security Agent**").

It is agreed as follows:

Section 1 Interpretation

1 Definitions and Interpretation

1.1 Definitions In this Agreement:

"**Accession Deed**" means a document substantially in the form set out in Schedule 6 (*Form of Accession Deed*).

"**Account Holder**" means ABN AMRO Bank N.V. a banking corporation duly incorporated under the laws of the Netherlands whose registered office is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands acting through its branch at Coolsingel 93, 3012 AE Rotterdam, The Netherlands or any other bank or financial institution which at any time, with the Security Agent's prior written consent, holds the Earnings Accounts.

"**Account Security Deed**" means a first priority account security deed in respect of all amounts from time to time standing to the credit of the Earnings Accounts.

"**Additional Guarantor**" means a company which becomes an Additional Guarantor in accordance with Clause 26 (*Changes to the Obligors*).

"**Administration**" has the meaning given to it in paragraph 1.1.3 of the ISM Code.

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**Annex VI**" means Annex VI (Regulations for the Prevention of Air Pollution from Ships) to the International Convention for the Prevention of Pollution from Ships 1973 (as modified in 1978 and 1997).

"**Assignments**" means first priority deeds of assignment of the Insurances, Earnings, Charters and Requisition Compensation of the Vessels from the Borrowers; and first priority assignments of the Insurances from the Managers contained in the Managers' Undertakings.

"**Assignment Agreement**" means an agreement substantially in the form set out in Schedule 5 (*Form of Assignment Agreement*) or any other form agreed between the relevant assignor and assignee.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Availability Period**" means the period from and including the date of this Agreement to and including 31 July 2019 or such later date as may be agreed by the Lenders.

"**Break Costs**" means the amount (if any) by which:

- (a) the interest which a Lender should have received for the period from the date of receipt of all or any part of its participation in the Loan or an Unpaid Sum to the last day of the current Interest Period in respect of the Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Athens, New York, Amsterdam and Rotterdam.

"**Charged Property**" means all of the assets of the Obligors which from time to time are, or are expressed to be, the subject of the Security Documents.

"**Charters**" means any time or bareboat charter or contract of employment in respect of a Vessel with a duration exceeding (or capable of exceeding) 12 months and "Charter" means any one of them.

"**Charterer**" means any entity which has entered into or will enter into a Charter with a Borrower in respect of Vessel.

"**Code**" means the US Internal Revenue Code of 1986.

"**Commitment**" means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading "Commitment" in Part I of Schedule 1 (The Parties) and the amount of any other Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Commitment Fee**" means the commitment fee to be paid by the Borrowers to the Agent under Clause 11.1 (*Commitment Fee*).

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 7 (*Form of Compliance Certificate*).

"**Confidential Information**" means all information relating to any Obligor, any other member of the Group, the Finance Documents or the Loan of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party in which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Loan from either:

- (a) any Obligor, any other member of the Group or any of its advisers; or
- (b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any Obligor, any other member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such Information but excludes information that:

- (i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 39 (Confidentiality); or
- (ii) is identified in writing at the time of delivery as non-confidential by any Obligor, any other member of the Group or any of its advisers; or
- (iii) is known by that Finance Party before the date the information is disclosed to it in accordance with (a) or (b) or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with any Obligor or any other member of the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in a recommended form of the Loan Market Association at the relevant time.

"**Confirmation**" means a Confirmation exchanged or deemed to be exchanged between the Swap Provider and the Borrowers as contemplated by the Master Agreement.

"**Credit Support Document**" means any document described as such in the Master Agreement and any other document referred to in any such document which has the effect of creating security in favour of any of the Finance Parties.

"**Credit Support Provider**" means any person (other than a Borrower) described as such in the Master Agreement.

"**CTA**" means the Corporation Tax Act 2009.

"**Default**" means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"**Defaulting Lender**" means any Lender:

- (a) which has failed to make its participation in the Loan available (or has notified the Agent or the Borrowers (which have notified the Agent) that it will not make its participation in the Loan available) by the Utilisation Date of the Loan in accordance with Clause 5.3 (*Lenders' participation*); or
- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of (a):

- (i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within three Business Days of its due date; or

(ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

"Delegate" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"Diana Shipping" means Diana Shipping Services S.A., a company incorporated under the laws of Panama with its office at Edificio Universal, Piso 12, Avenida Federico Boyd, Panama, Republic of Panama, having its established office in Greece at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece pursuant to the provisions of Greek Law 27/1975.

"Disruption Event" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Loan (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"DOC" means, in relation to the ISM Company, a valid Document of Compliance issued for the ISM Company by the Administration under paragraph 13.2 of the ISM Code.

"Earnings" means all hires, freights, passage moneys, pool income and other sums payable to or for the account of a Borrower and/or Charterer in respect of a Vessel including (without limitation) all remuneration for salvage and towage services, demurrage and detention moneys, contributions in general average, compensation in respect of any requisition for hire, and damages and other payments (whether awarded by any court or arbitral tribunal or by agreement or otherwise) for breach, termination or variation of any contract for the operation, employment or use of a Vessel.

"**Earnings Accounts**" means the bank accounts to be opened in the names of the Borrowers with the Account Holder and designated "Kaben Shipping Company Inc. - Earnings Account", "Taroa Shipping Company Inc. - Earnings Account" and "Gala Properties Inc. - Earnings Account".

"**Encumbrance**" means a mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Environmental Approval**" means any present or future permit, ruling, variance or other Authorisation required under Environmental Laws.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any governmental, judicial or regulatory authority or any other person which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law and, for this purpose, "claim" includes a claim for damages, compensation, contribution, injury, fines, losses and penalties or any other payment of any kind, including in relation to clean-up and removal, whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action^o and any form of enforcement or regulatory action, including the arrest or attachment of any asset.

"**Environmental Incident**" means:

- (a) any release, emission, spill or discharge into or upon the air, sea, land or soils (including the seabed) or surface water of Environmentally Sensitive Material within or from a Vessel; or
- (b) any incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water from a vessel other than a Vessel and which involves a collision between a Vessel and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and a Vessel, any Obligor, any operator or manager of a Vessel or any combination of them is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or
- (c) any other incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water otherwise than from a Vessel and in connection with which a Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and/or where any Obligor, any operator or manager of a Vessel or any combination of them is at fault or allegedly at fault or otherwise liable to any legal or administrative action, other than in accordance with an Environmental Approval.

"**Environmental Law**" means any present or future law or regulation relating to pollution or protection of human health or the environment, to conditions in the workplace, to the carriage, generation, handling, storage, use, release or spillage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material.

"Environmentally Sensitive Material" means all contaminants, oil, oil products, toxic substances and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous.

"EU Ship Recycling Regulation" means Regulation (EU) No 1257/2013 of the European Parliament and of the Council of 20 November 2013 on ship recycling and amending Regulation (EC) No 1013/2006 and Directive 2009/16/EC (Text with EEA relevance).

"Event of Default" means any event or circumstance specified as such in Clause 24 (*Events of Default*).

"Existing Borrowers" means Tuvalu Shipping Company Inc., Jabat Shipping Company Inc. and Bikini Shipping Company Inc., each a company incorporated under the laws of the Republic of the Marshall Islands, with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960.

"Existing Facility" means a facility agreement dated 26 March 2015 (as amended and supplemented from time to time) entered into between, among others, (1) the Existing Borrowers (as joint and several borrowers), (2) certain banks (as lenders) and (3) ABN AMRO Bank N.V. (as agent and security agent), in connection with a term loan of up to \$53,000,000.

"Facility Office" means:

- (a) in respect of a Lender, the office or offices notified by that Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement; or
- (b) in respect of any other Finance Party, the office in the jurisdiction in which it is resident for tax purposes.

"Facility Period" means the period beginning on the date of this Agreement and ending on the date when the whole of the Indebtedness has been paid in full and the Obligors have ceased to be under any further actual or contingent liability to the Finance Parties under or in connection with the Finance Documents.

"FATCA" means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in (a); or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in (a) or (b) with the US Internal Revenue Service,

the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Application Date**" means:

- (a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or
- (b) In relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within (a), the first date from which such payment may become subject to a deduction or withholding required by FATCA.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**Fee Letter**" means any letter or letters dated on or about the date of this Agreement between the Agent and the Borrowers or the Security Agent and the Borrowers setting out any of the fees referred to in Clause 11 (*Fees*).

"**Finance Documents**" means this Agreement, the Master Agreement, the Security Documents, any Accession Deed, any Compliance Certificate, the Utilisation Request, the Fee Letter and any other document designated as such by the Agent and the Borrowers.

"**Finance Parties**" means the Agent, the Security Agent, the Swap Provider and the Lenders.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);
- (c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract, a liability under which would, in accordance with GAAP, be treated as a balance sheet liability;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);

- (g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of (i) an underlying liability of an entity which is not an Obligor or a member of the Group which liability would fall within one of the other sections of this definition or (ii) any liabilities of any Obligor or any other member of the Group relating to any post-retirement benefit scheme;
- (h) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the end of the Facility Period or are otherwise classified as borrowings under GAAP;
- (l) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 30 days after the date of supply;
- (j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under GAAP; and
- (k) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in (a) to (j).

"GAAP" means generally accepted accounting principles in the US, including IFRS. "Group" means the Original Guarantor and its Subsidiaries.

"Guarantee" means a guarantee and indemnity in respect of the obligations of each other Obligor granted by each Guarantor and contained in Clause 19 (*Guarantee and Indemnity*).

"Guarantor" means an Original Guarantor or an Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 26 (*Changes to the Obligors*).

"Holding Company" means, in relation to a person, any other person in respect of which it is a Subsidiary.

"IAPPC" means a valid international air pollution prevention certificate for a Vessel issued under Annex VI.

"IFRS" means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"Indebtedness" means the aggregate from time to time of: the amount of the Loan outstanding; all accrued and unpaid interest on the Loan; and all other sums of any nature (together with all accrued and unpaid interest on any of those sums) payable to any of the Finance Parties under all or any of the Finance Documents.

"Insolvency Event" in relation to an entity means that the entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in (d) and:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
 - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in (d));
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;

- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (a) to (i); or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

"**Insurances**" means all policies and contracts of insurance (including all entries in protection and indemnity or war risks associations) which are from time to time taken out or entered into in respect of or in connection with a Vessel or her increased value or her Earnings and (where the context permits) all benefits under such contracts and policies, including all claims of any nature and returns of premium.

"**Interest Period**" means each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

"**Interpolated Screen Rate**" means, in relation to LIBOR, the rate which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the relevant Interest Period; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the relevant Interest Period,

each as of 11.00 a.m. on the Quotation Day for dollars.

"**Inventory of Hazardous Materials**" means a statement of compliance issued by the relevant classification society which includes a list of any and all materials known to be potentially hazardous utilised in the construction of the Vessel also referred to as List of Hazardous Materials.

"**ISM Code**" means the International Management Code for the Safe Operation of Ships and for Pollution Prevention.

"**ISM Company**" means, at any given time, the company responsible for a Vessel's compliance with the ISM Code under paragraph 1.1.2 of the ISM Code.

"**ISPS Code**" means the International Ship and Port Facility Security Code.

"**ISSC**" means a valid international ship security certificate for a Vessel issued under the ISPS Code.

"**ITA**" means the Income Tax Act 2007.

"**Joint Venture**" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

"**Legal Opinion**" means any legal opinion delivered to the Agent under Clause 4.1 (*Initial conditions precedent*) or Clause 4.3 (*Conditions subsequent*).

"**Legal Reservations**" means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim;
- (c) similar principles, rights and defences under the laws of any Relevant Jurisdiction; and
- (d) any other matters which are set out as qualifications or reservations as to matters of law of general application in the Legal Opinions.

"Lender" means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party as a Lender in accordance with Clause 25 (*Changes to the Lenders*),

which in each case has not ceased to be a Party as such in accordance with the terms of this Agreement.

"LIBOR" means:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the relevant Interest Period) the Interpolated Screen Rate; or
- (c) if (i) no Screen Rate is available for the currency of the Loan or (ii) no Screen Rate is available for the relevant Interest Period and it is not possible to calculate the Interpolated Screen Rate) the Reference Bank Rate,

as of 11.00 a.m. on the Quotation Day for dollars and for a period equal in length to the relevant Interest Period and, if that rate is less than zero, LIBOR shall be deemed to be zero.

"Limitation Acts" means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

"Loan" means the aggregate amount advanced or to be advanced by the Lenders to the Borrowers under Clause 2 (*The Loan*) or, where the context permits, the principal amount advanced and for the time being outstanding.

"Majority Lenders" means a Lender or Lenders whose Commitments aggregate more than 66²/₃% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66²/₃% of the Total Commitments immediately prior to the reduction).

"**Management Agreements**" means the agreements for the technical and commercial management of the Vessels entered or to be entered into between the Borrowers respectively and the Managers.

"**Managers**" means Diana Shipping or Diana Wilhelmsen Management Limited a company incorporated and existing under the laws of the Republic of Cyprus having its registered office at 21 Vasili Michailidi Street, 3026 Limassol, Cyprus or any other company which the Agent (acting on the instructions of the Majority Lenders) may approve from time to time as the manager of a Vessel.

"**Managers' Undertakings**" means written undertakings of the Managers in form and substance acceptable to the Agent.

"**Mandatory Cost**" means, in respect of the Lenders, the cost to a Lender (as conclusively certified by it) of complying with any requirements of any competent authority or agency relating to monetary control and liquidity (including reserve asset and/or special deposit or liquidity requirements or other requirements having the same or a similar purpose whether or not having the force of law but with which it is customary to comply) in relation to making available the Loan.

"**Margin**" means 2.25 per cent per annum.

"**Market Value**" means the value of a Vessel or any other vessel over which additional security has been created or which is being offered as additional security in accordance with Clause 18 (*Additional Security*) conclusively determined by an approved shipbroker appointed by, and reporting to, the Agent on the basis of a charter-free sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing seller and a willing buyer and evidenced by a valuation (in form and substance acceptable to the Agent) of that Vessel or vessel addressed to the Agent certifying a value for that Vessel or vessel and, where two valuations have been obtained, such value shall be the arithmetic average of two (2) valuations (in form and substance acceptable to the Agent) of that Vessel addressed to the Agent certifying the value for that Vessel.

"**Master Agreement**" means any ISDA Master Agreement (or any other form of master agreement relating to interest or currency exchange transactions) entered into between the Swap Provider and the Borrowers before or during the Facility Period, including each Schedule to any Master Agreement and each Confirmation exchanged under any Master Agreement.

"**Master Agreement Proceeds**" means any and all sums due and payable to the Borrowers or any of them under the Master Agreement following an Early Termination Date (subject always to all rights of netting and set-off contained in the Master Agreement) and all rights to require and enforce the payment of those sums.

"**Master Agreement Proceeds Charge**" means a first priority deed of charge over the Master Agreement Proceeds.

"**Material Adverse Effect**" means in the reasonable opinion of the Majority Lenders a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or prospects of any Obligor or the Group taken as a whole; or
- (b) the ability of any Obligor to perform its obligations under any Finance Document; or
- (c) the validity or enforceability of, or the effectiveness or ranking of any Encumbrance granted or purporting to be granted pursuant to any of, the Finance Documents or the rights or remedies of any Finance Party under any of the Finance Documents.

"**Maximum Loan Amount**" means an amount equal to the lesser of:

- (a) \$25,000,000; and
- (b) 55% of the aggregate Market Value of the Vessels on the Utilisation Date evidenced by the valuations received by the Agent under Clause 4.1 (*Initial conditions precedent*).

"**Minimum Liquidity Amount**" means an aggregate amount of not less than \$400,000.

"**Month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) If there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) If an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

"**Mortgages**" means first preferred mortgages over the Vessels.

"**New Lender**" has the meaning given to that term in Clause 25.1 (*Assignments and transfers by the Lenders*).

"**Non-Consenting Lender**" has the meaning given to that term in Clause 38.5.4 (*Replacement of Lender*).

"**Obligor**" means each Borrower and each Guarantor.

"**Original Financial Statements**" means the audited consolidated financial statements of the Original Guarantor for the financial year ended 31 December 2018.

"**Original Jurisdiction**" means, in relation to an Obligor, the jurisdiction under whose laws that Obligor is incorporated as at the date of this Agreement or, in the case of an Additional Guarantor, as at the date on which that Additional Guarantor becomes Party as a Guarantor.

"**Party**" means a party to this Agreement.

"**Permitted Disposal**" means any sale, lease, licence, transfer or other disposal:

- (a) of assets in exchange for other assets comparable or superior as to type, value and quality (other than an exchange of a non-cash asset for cash);
- (b) of obsolete or redundant equipment for cash;
- (c) arising as a result of any Permitted Encumbrance; and
- (d) of a Vessel made in accordance with this Agreement.

"**Permitted Encumbrance**" means:

- (a) any Encumbrance which has the prior written approval of the Agent;
- (b) any Encumbrance created or expressed to be created under or pursuant to or evidenced by the Security Documents;
- (c) any Encumbrance arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by an Obligor;
- (d) any Quasi-Security arising as a result of a disposal which is a Permitted Disposal; and
- (e) any right of pledge and/or set off under and pursuant to the general banking conditions (Algemene Bankvoorwaarden) of ABN AMRO Bank N.V.

"**Prohibited Person**" means any person (whether designated by name or by reason of being included in a class of persons) against whom Sanctions are directed.

"**Quasi-Security**" has the meaning given to that term in Clause 23.9 (*Negative pledge*).

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined (for dollars) two Business Days before the first day of that period, unless market practice differs in the Relevant Market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the Relevant Market (and if quotations would normally be given by leading banks in the Relevant Market on more than one day, the Quotation Day will be the last of those days).

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Reference Banks:

- (a) in relation to LIBOR as either:

- (i) if:
- (A) the Reference Bank is a contributor to the applicable Screen Rate; and
 - (B) it consists of a single figure,
- the rate (applied to the relevant Reference Bank and the relevant currency and period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator; or
- (ii) in any other case, the rate at which the relevant Reference Bank could fund itself in the relevant currency for the relevant period with reference to the unsecured wholesale funding market.

"Reference Banks" means, in relation to LIBOR, the principal London offices of ABN AMRO Bank N.V. or such other banks as may be appointed by the Agent.

"Related Fund" in relation to a fund (the "first fund"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"Relevant Documents" means the Finance Documents, the Management Agreements, any Charter and each Borrower's constitutional documents.

"Relevant Market" means the London interbank market.

"Relevant Jurisdiction" means, in relation to an Obligor:

- (a) its Original Jurisdiction;
- (b) any jurisdiction where any asset subject to or intended to be subject to a Security Document to be executed by it is situated;
- (c) any jurisdiction where it conducts its business; and
- (d) the jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

"Repayment Date" means each date for payment of a Repayment Instalment in accordance with Clause 6 (*Repayment*).

"Repayment Instalment" means any instalment of the Loan to be repaid by the Borrowers under Clause 6 (*Repayment*).

"Repeating Representations" means each of the representations set out in Clause 20 (*Representations*) other than the representations contained in Clauses 20.1.12 (a) to (c), 20.1.8 (*No filing or stamp taxes*), 20.1.9 (*Deduction of Tax*) and 20.1.16 (*Taxation*).

"Representative" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"Requisition Compensation" means all compensation or other money which may from time to time be payable to a Borrower as a result of a Vessel being requisitioned for title or in any other way compulsorily acquired (other than by way of requisition for hire).

"Restricted Party" means a person:

- (a) listed on or owned or controlled by a person listed on any Sanctions List; or
- (b) located in, organised under the laws of or owned or controlled by, or acting on behalf of, a person located in or organised under the laws of a country or territory which is a subject of country-wide or territory-wide Sanctions (including, without limitation, at the date of this Agreement, Cuba, Iran, North Korea, Syria and Sudan); or
- (c) otherwise a subject of Sanctions.

"Sanctions" means any trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by a Sanctions Authority with which the Borrowers (or Lenders) are legally bound to comply.

"Sanctions Authority" means:

- a. the Security Council of the United Nations;
- b. the United States;
- c. the United Kingdom;
- d. the European Union
- e. any member state of the European Union (including, without limitation, The Netherlands);
- f. any country in which any Obligor is registered or has material (financial or otherwise) interests or operations); and
- g. the governments and official institutions or agencies of any of paragraphs (a) to (f) above, including without limitation the U.S. Office of Foreign Asset Control ("OFAC"), the U.S. Department of State, and Her Majesty's Treasury ("HMT").

"Sanctions List" means the Specially Designated Nationals and Blocked Persons list maintained by OFAC, the Consolidated List of Financial Sanctions Targets maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, a Sanctions Authority, each as amended, supplemented or substituted from time to time.

"Screen Rate" means in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in

place of Thomson Reuters. If such page or the service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Borrowers.

"**Secured Parties**" means each Finance Party from time to time party to this Agreement and any Receiver or Delegate.

"**Security Documents**" means the Mortgages, the Assignments, each Guarantee, the Account Security Deed, the Share Securities, the Managers' Undertakings, the Master Agreement Proceeds Charge and any other Credit Support Documents or (where the context permits) any one or more of them, and any other agreement or document which may at any time be executed by any person as security for the payment of EM or any part of the Indebtedness.

"**Share Securities**" means first priority pledges of all the issued shares of the Borrowers.

"**SMC**" means a valid safety management certificate issued for a Vessel by or on behalf of the Administration under paragraph 13.7 of the ISM Code.

"**Subsidiary**" means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or Interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Termination Date**" means the date falling on the earlier of (a) five (5) years from the Utilisation Date and (b) 31st July 2024.

"**Total Commitments**" means the aggregate of the Commitments.

"**Total Loss**" means:

- (a) an actual, constructive, arranged, agreed or compromised total loss of a Vessel; or
- (b) the requisition for title or compulsory acquisition of a Vessel by any government or other competent authority (other than by way of requisition for hire); or
- (c) the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture of a Vessel (not falling within (b)), unless that Vessel is released and returned to the possession of the relevant Borrower within 30 days after the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture in question.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrowers.

"**Transfer Date**" means, in relation to an assignment or a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and
- (b) the date on which the Agent executes the relevant Assignment Agreement or Transfer Certificate.

"**Treasury Transactions**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

"**Trust Property**" means:

- (a) all benefits derived by the Security Agent from any Finance Document; and
- (b) all benefits arising under (including, without limitation, all proceeds of the enforcement of) each of the Security Documents,

excluding any benefits arising solely for the benefit of the Security Agent.

"**Unpaid Sum**" means any sum due and payable but unpaid by any Obligor under the Finance Documents.

"**US**" means the United States of America.

"**Utilisation**" means any part of the Loan advanced or to be advanced pursuant to a Utilisation Request.

"**Utilisation Date**" means the date on which the Loan is advanced under Clause 5 (*Advance*).

"**Utilisation Request**" means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

"**VAT**" means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or imposed elsewhere.

"**Vessel A**" means the m.v. "SELINA" with IMO number 9473183 currently registered under the flag of the Republic of the Marshall Islands in the ownership of Kaben and everything now or in the future belonging to her on board and ashore.

"**Vessel B**" means the m.v. "ISMENE" with IMO number 9493535 currently registered under the flag of the Republic of the Marshall Islands in the ownership of Taroa and everything now or in the future belonging to her on board and ashore.

"**Vessel C**" means the m.v. "HOUSTON" with IMO number 9539602 currently registered under the flag of the Republic of the Marshall Islands in the ownership of Gala and everything now or in the future belonging to her on board and ashore.

"**Vessels**" means Vessel A, Vessel B and Vessel C and each a "**Vessel**".

1.2 Construction. Unless a contrary indication appears, any reference in this Agreement to:

- 1.2.1 any "**Lender**", any "**Borrower**", any "**Guarantor**", the "**Agent**", the "**Swap Provider**", any "**Secured Party**", the "**Security Agent**", any "**Finance Party**" or any "**Party**" shall be construed so as to include its successors in title, permitted assignees and permitted transferees to, or of, its rights and/or obligations under the Finance Documents;
- 1.2.2 "**assets**" includes present and future properties, revenues and rights of every description;
- 1.2.3 a "**Finance Document**", a "**Security Document**", a "**Relevant Document**" or any other agreement or instrument is a reference to that Finance Document, Security Document, Relevant Document or other agreement or instrument as amended, novated, supplemented, extended or restated from time to time;
- 1.2.4 a "**group of Lenders**" includes all the Lenders;
- 1.2.5 "**guarantee**" means (other than in Clause 19 (*Guarantee and Indemnity*)) any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;
- 1.2.6 "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- 1.2.7 a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);
- 1.2.8 a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;
- 1.2.9 a provision of law is a reference to that provision as amended or re-enacted from time to time;
- 1.2.10 a time of day (unless otherwise specified) is a reference to London time; and
- 1.2.11 the determination of the extent to which a rate is "**for a period equal in length**" to an Interest Period shall disregard any inconsistency arising from the last day of that Interest Period being determined pursuant to the terms of this Agreement.

- 1.3 **Headings** Section, Clause and Schedule headings are for ease of reference only.
- 1.4 **Defined terms** Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- 1.5 **Default** A Default (other than an Event of Default) is "continuing" if it has not been remedied or waived and an Event of Default is "continuing" if it has not been waived.
- 1.6 **Currency symbols and definitions** "\$", "USD" and "dollars" denote the lawful currency of the United States of America.
- 1.7 **Third party rights**
- 1.7.1 Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Agreement.
- 1.7.2 Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.
- 1.8 **Offer letter** This Agreement supersedes the terms and conditions contained in any correspondence relating to the subject matter of this Agreement exchanged between any Finance Party and the Borrowers or their representatives before the date of this Agreement.
- 1.9 **Contractual recognition of bail-in**
- 1.9.1 In this Clause 1.9:
- "**Article 55 BRRD**" means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.
- "**Bail-In Action**" means the exercise of any Write-down and Conversion Powers.
- "**Bail-In Legislation**" means:
- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
 - (b) in relation to any state other than such an EEA Member Country or (to the extent that the United Kingdom is not such an EEA Member Country) the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

"EEA Member Country" means any member state of the European Union, Iceland, Liechtenstein and Norway.

"EU Bail-In Legislation Schedule" means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

"Resolution Authority" means any body which has authority to exercise any Write-down and Conversion Powers.

"UK Bail-In Legislation" means (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other Insolvency proceedings).

"Write-down and Conversion Powers" means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and
- (b) in relation to any other applicable Bail-In Legislation:
 - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and
 - (ii) any similar or analogous powers under that Bail-In Legislation; and
- (c) in relation to any UK Bail-In Legislation:
 - (i) any powers under that UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or Investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of

such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that UK Bail-In Legislation that are related to or ancillary to any of those powers; and

(ii) any similar or analogous powers under that UK Bail-In Legislation.

1.9.2 Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

(a) any Ball-In Action in relation to any such liability, including (without limitation):

(i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;

(ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

(iii) a cancellation of any such liability; and

(b) a variation of any term of any Finance Document to the extent necessary to give effect to any Ball-In Action in relation to any such liability.

1.10 Sanctions

1.10.1 In this Clause 1.10:

"**Restricted Lender**" means a Lender that notifies the Agent to the effect that the Sanctions Provisions will only apply for its benefit according to Clause 1.10.2.

"**Sanctions Provisions**" means the representations and warranties given in Clause 20.1.25 (*Sanctions*) and the undertakings given in Clause 23.27 (*Sanctions*).

1.10.2 The Sanctions Provisions shall only be given to a Lender the extent that the making, the receiving of the benefit of and/or, where applicable, the repetition of these representations and warranties, and the compliance with these undertakings do not result in a violation of or conflict with:

- (a) any provision of Council Regulation (EC) 2271/1996 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom;
 - (b) if applicable, section 7 of the German Foreign Trade Regulation (*Außenwirtschaftsverordnung*) (in conjunction with section 4 paragraph 1 of No.3 foreign trade law (AWG) (*Außenwirtschaftsgesetz*)); or
 - (c) any similar applicable anti-boycott law or regulation.
- 1 10.3 In connection with any amendment, waiver, determination or direction relating to any part of a Sanctions Provision of which a Restricted Lender does not have the benefit pursuant to this Clause 1.10, the Commitments of that Restricted Lender will be excluded for the purpose of determining whether the consent of the relevant Lenders has been obtained or whether the determination or direction by the relevant Lenders has been made.
- 1 10.4 Any amendment, waiver, determination or direction relating to any part of this Clause 1.10 will be subject to the consent of each Restricted Lender.

Section 2 The Loan

2 The Loan

2.1 **Amount** Subject to the terms of this Agreement, the Lenders agree to make available to the Borrowers on a joint and several basis in one amount a term loan in an aggregate amount not exceeding the Maximum Loan Amount.

2.2 Finance Parties' rights and obligations

2.2.1 The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

2.2.2 The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with Clause 2.2.3. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of the Loan or any other amount owed by an Obligor which relates to a Finance Party's participation in the Loan or its role under a Finance Document (including any such amount payable to the Agent on its behalf) is a debt owing to that Finance Party by that Obligor.

2.2.3 A Finance Party may, except as specifically provided in the Finance Documents, separately enforce its rights under or in connection with the Finance Documents.

3 Purpose

3.1 **Purpose** The Borrowers shall apply the Loan for the purpose of financing or refinancing (as the case may be) the Vessels.

3.2 **Monitoring** No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 Conditions of Utilisation

4.1 Conditions precedent

4.1.1 **Initial conditions precedent** The Finance Parties will only enter into this Agreement if, on or before the date of this Agreement, the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Agent.

4.1.2 **Utilisation conditions precedent** The Lenders will only be obliged to comply with Clause 5.3 (*Lenders' participation*) in relation to the advance of the Loan if, on or before the Utilisation Date, the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (Initial

Conditions Precedent) in form and substance satisfactory to the Agent. The Agent shall notify the Borrowers and the Lenders promptly upon being so satisfied.

4.1.3 Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in Clause 4.1.1, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.2 **Further conditions precedent**

The Lenders will only be obliged to advance the Loan if on the date of the Utilisation Request and on the Utilisation Date:

- (a) no Default is continuing or would result from the advance of the Loan; and
- (b) the representations made by each Borrower and each Guarantor under Clause 20 (*Representations*) are true.
- (c) no event or circumstance has occurred since 24 May 2019 which the Lenders have determined that it has or is reasonably likely to have a Material Adverse Effect;

4.3 **Conditions subsequent** The Borrowers undertake to deliver or to cause to be delivered to the Agent within 5 days after the Utilisation Date the additional documents and other evidence listed in Part II of Schedule 2 (Conditions Subsequent).

4.4 **No waiver** If the Lenders agree to advance the Loan to the Borrowers or the Finance Parties agree to enter into this Agreement before all of the documents and evidence required by Clause 4.1 (*Initial conditions precedent*) have been delivered to or to the order of the Agent, the Borrowers undertake to deliver all outstanding documents and evidence to or to the order of the Agent no later than 30 days after the Utilisation Date or the date of this Agreement or such other date specified by the Agent (acting on the instructions of all the Lenders).

The advance of the Loan under this Clause 4.4 shall not be taken as a waiver of the Lenders' right to require production of all the documents and evidence required by Clause 4.1 (*Initial conditions precedent*).

4.5 **Form and content** All documents and evidence delivered to the Agent under this Clause shall:

- 4.5.1 be in form and substance acceptable to the Agent; and
- 4.5.2 if required by the Agent, be certified, notarised, legalised or attested in a manner acceptable to the Agent.

Section 3 Utilisation

5 Advance

5.1 **Delivery of a Utilisation Request** The Borrowers may request the Loan to be advanced by delivery to the Agent of a duly completed Utilisation Request not more than ten Business Days before the proposed Utilisation Date and not later than 11.00 am (London time) three Business Days before the proposed Utilisation Date.

5.2 **Completion of a Utilisation Request** A Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

5.2.1 it is signed by an authorised signatory of each Borrower;

5.2.2 the proposed Utilisation Date is a Business Day within the Availability Period; and

5.2.3 the proposed Interest Period complies with Clause 9 (*Interest Periods*).

5.3 **Lenders' participation**

5.3.1 Subject to Clauses 2 (*The Loan*), 3 (*Purpose*) and 4 (*Conditions of Utilisation*), each Lender shall make its participation in the Loan available by the Utilisation Date through its Facility Office.

5.3.2 The amount of each Lender's participation in the Loan will be equal to the proportion borne by its Commitment to the Total Commitments.

5.4 **Cancellation of Commitment** The Total Commitments shall be cancelled at the end of the Availability Period to the extent that they are unutilised at that time.

Section 4 Repayment, Prepayment and Cancellation

6 Repayment

6.1 **Repayment of Loan** The Borrowers shall repay the Loan to the Agent by twenty (20) consecutive instalments, the first nineteen (19) such instalments each in the sum of eight hundred thousand dollars (\$800,000), and the twentieth and final such instalment in the sum of nine million eight hundred thousand dollars (\$9,800,000) (comprising an instalment of eight hundred thousand dollars (\$800,000), and a balloon payment in the sum of nine million dollars (\$9,000,000) (the "Balloon")), the first instalment falling due on the date which is three Months after the Utilisation Date and subsequent instalments falling due at consecutive intervals of three (3) calendar months thereafter and the twentieth (20th) and final instalment falling due not later than the Termination Date. The Borrowers shall pay to the Agent any outstanding Indebtedness on the Termination Date.

6.2 **Reduction of Repayment Instalments** If the aggregate amount advanced to the Borrowers is less than the Maximum Loan Amount, the amount of each Repayment Instalment shall be reduced pro rata to the amount actually advanced.

6.3 **Reborrowing** The Borrowers may not reborrow any part of the Loan which is repaid.

7 Illegality, Prepayment and Cancellation

7.1 **Illegality** If in any applicable jurisdiction it becomes unlawful (other than by reason of Sanctions) for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan or it becomes unlawful for any Affiliate of a Lender for that Lender to do so:

7.1.1 that Lender shall promptly notify the Agent upon becoming aware of that event;

7.1.2 upon the Agent notifying the Borrowers, the Commitment of that Lender will be immediately cancelled; and

7.1.3 to the extent that the Lender's participation has not been transferred pursuant to Clause 38.5 (*Replacement of Lender*), the Borrowers shall repay that Lender's participation in the Loan on the last day of the current Interest Period or, if earlier, the date specified by that Lender in the notice delivered to the Agent and notified by the Agent to the Borrowers (being no earlier than the last day of any applicable grace period permitted by Jaw).

7.2 **Voluntary cancellation** The Borrowers may, if they give the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (being a minimum amount of \$500,000) of the undrawn amount of the Loan. Any cancellation under this Clause 7.2 shall reduce the Commitments of the Lenders rateably.

7.3 **Voluntary prepayment of Loan** The Borrowers may prepay the whole or any part of the Loan (but, if in part, being an amount that reduces the Loan by an amount which is an integral multiple of \$500,000) subject as follows:

- 7.3.1 they give the Agent not less than ten Business Days' (or such shorter period as the Majority Lenders may agree) prior notice;
- 7.3.2 the Loan may only be prepaid after the last day of the Availability Period; and
- 7.3.3 any prepayment under this Clause 7.3 shall satisfy the obligations under Clause 6.1 (*Repayment of Loan*) in the manner selected by the Borrower and specified in the notice set out in clause 7.3.1

7.4 **Right of cancellation and prepayment in relation to a single Lender**

- 7.4.1 If:
- (a) any sum payable to any Lender by a Borrower or a Guarantor is required to be increased under Clause 12.2.3 (*Tax gross-up*); or
 - (b) any Lender claims indemnification from a Borrower or a Guarantor under Clause 12.3 (*Tax indemnity*) or Clause 13.1 (*Increased costs*),
- the Borrowers may, while the circumstance giving rise to the requirement for that increase or indemnification continues, give the Agent notice of cancellation of the Commitment(s) of that Lender and their intention to procure the repayment of that Lender's participation in the Loan.
- 7.4.2 On receipt of a notice referred to in Clause 7.4.1 in relation to a Lender, the Commitment(s) of that Lender shall immediately be reduced to zero.
- 7.4.3 On the last day of the Interest Period which ends after the Borrowers have given notice under Clause 7.4.1 in relation to a Lender (or, if earlier, the date specified by the Borrowers in that notice), the Borrowers shall repay that Lender's participation in the Loan together with all interest and other amounts accrued under the Finance Documents.

7.5 **Mandatory prepayment on sale or Total Loss** If a Vessel is sold by a Borrower or becomes a Total Loss, the Borrowers shall, simultaneously with any such sale or on the earlier of the date falling 180 days after any such Total Loss and the date on which the proceeds of any such Total Loss are realised, prepay the Loan in an amount equal to the Mandatory Prepayment Amount. Any prepayment under this Clause shall satisfy the obligations under Clause 6.1 (*Repayment of Loan*) on a pro rata basis.

For the purpose of this clause:-

"Mandatory Prepayment Amount" an amount equal to the greater of:

- (a) any additional amount required to ensure that the VTL Coverage (as defined in clause 18.1 (*Additional Security*)) is fully complied with following such prepayment; and
- (b) any additional amount required to ensure that the Relevant Percentage immediately following such sale or Total Loss remains at least equal to the

Relevant Percentage applicable immediately prior to any such sale or Total Loss,

"**Relevant Percentage**" means, at any relevant time, the percentage of the aggregate of the Market Value of the Vessels and the value of any additional security (such value to be determined in accordance with Clause 18.1 (*VTL Coverage*)) against the aggregate of the Loan outstanding and the amount certified by the Swap Provider to be the amount which would be payable by the Borrowers to the Swap Provider under the Master Agreement if an Early Termination Date were to occur at that time.

7.6 **Right of cancellation in relation to a Defaulting Lender** If any Lender becomes a Defaulting Lender, the Borrowers may, at any time while the Lender continues to be a Defaulting Lender, give the Agent 30 Business Days' notice of cancellation of the Commitment of that Lender. On that notice becoming effective, the Commitment of the Defaulting Lender shall immediately be reduced to zero. The Agent shall as soon as practicable after receipt of that notice notify all the Lenders.

7.7 **Mandatory Prepayment - Change of Control**

If the Original Guarantor ceases to be the sole shareholder of any Borrower or ceases to directly or indirectly control 100% of any Borrower, then:

(i) the Borrower shall promptly notify the Agent upon becoming aware of that event; and

(ii) subject to:

(A) any Lender so requiring (such a Lender, an "**Outgoing Lender**"); and

(B) the Agent giving no less than 30 Business Days' notice to the Borrower,

the Commitment of that Outgoing Lender will be immediately cancelled and, subject to Clause 7.8.2 below, the Borrowers shall repay immediately that Outgoing Lender's participation in each Utilisation.

7.8 **Restrictions**

7.8.1 Any notice of prepayment or cancellation given under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment or cancellation is to be made and the amount of that prepayment or cancellation.

7.8.2 Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

7.8.3 The Borrowers shall not repay, prepay or cancel all or any part of the Loan except at the times and in the manner expressly provided for in this Agreement.

7.8.4 No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

7.8.5 The Borrowers may not reborrow any part of the Loan which is prepaid.

7.8.6 If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to the Borrowers or the affected Lender, as appropriate.

7.9 **Unwinding of Transactions**

On or prior to any repayment or prepayment of the Loan under this Agreement, the Borrowers shall, on a joint and several basis, wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Transactions so that the notional principal amount of the continuing Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Loan as reducing from time to time thereafter pursuant to this.

Section 5 **Costs of Utilisation**

8 **Interest**

8.1 **Calculation of interest** The rate of Interest on the Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

8.1.1 Margin; and

8.1.2 LIBOR; and

8.1.3 Mandatory Cost, if any

8.2 **Payment of interest** The Borrowers shall pay accrued interest on the Loan on the last day of each Interest Period (and, if the Interest Period is longer than three Months, on the dates falling at intervals of six Months after the first day of the Interest Period).

8.3 **Default interest** If a Borrower or a Guarantor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent per annum higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted the Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower or any Guarantor on demand by the Agent.

Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable,

8.4 **Notification of rates of interest** The Agent shall promptly notify the Borrowers of the determination of a rate of interest under this Agreement.

9 **Interest Periods**

9.1 **Selection of Interest Periods** The Borrowers may select in a written notice to the Agent the duration of an Interest Period for the Loan subject as follows:

9.1.1 each notice is irrevocable and must be delivered to the Agent by the Borrowers not later than 11.00 a.m. on the Quotation Day;

9.1.2 if the Borrowers fail to give a notice in accordance with Clause 9.1,1, the relevant Interest Period will, subject to Clauses 9.2 (*Interest Periods to meet Repayment Dates*) and 9.3 (*Non-Business Days*), be three Months;

9.1.3 subject to this Clause 9, the Borrowers may select an Interest Period of one, three or six Months or any other period agreed between the Borrowers and the Agent (acting on the instructions of all the Lenders);

9.1.4 an Interest Period shall not extend beyond the Termination Date; and

9.1.5 each Interest Period shall start on the Utilisation Date or (if the Loan is already made) on the last day of the preceding Interest Period and end on the date which numerically corresponds to the Utilisation Date or the last day of the preceding Interest Period in the relevant Month.

9.2 **Interest Periods to meet Repayment Dates** If an Interest Period will expire after the next Repayment Date, there shall be a separate Interest Period for a part of the Loan equal to the Repayment Instalment due on that next Repayment Date and that separate Interest Period shall expire on that next Repayment Date.

9.3 **Non-Business Days** If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 Changes to the Calculation of Interest

10.1 Calculation of Reference Bank Rate

10.1.1 Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to a Reference Bank Rate but a Reference Bank does not supply a quotation by 11.00 am on the Quotation Day, the Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Reference Banks.

10.1.2 If at or about noon on the Quotation Day for the relevant Interest Period LIBOR is to be determined by reference to the Reference Bank Rate and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for dollars, Clause 10.3 (*Cost of funds*) shall apply to the Loan for the relevant Interest Period.

10.2 **Market disruption** If before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in the Loan exceed 30% of the Loan) that the cost to it of funding its participation in the Loan from whatever source it may reasonably select would be in excess of LIBOR then Clause 10.3 (*Cost of funds*) shall apply to the Loan for the relevant Interest Period.

10.3 Cost of funds

10.3.1 If this Clause 10.3 applies for any Interest Period, then the rate of interest on each Lender's share of the Loan for that Interest Period shall be the percentage rate per annum which is the sum of:

- (a) the Margin; and
- (b) the rate notified to the Agent by that Lender as soon as practicable, and in any event by close of business on the date falling three Business Days after the Quotation Day (or, if earlier, on the date falling three Business Days prior to the date on which interest is due to be paid in respect of that Interest Period), to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in the Loan from whatever source it may reasonably select.

10.3.2 If this Clause 10.3 applies and the Agent or the Borrowers so require, the Agent **and** the Borrowers shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.

10.3.3 Any alternative basis agreed pursuant to Clause 10.3.2 shall, with the prior consent of all the Lenders and the Borrowers, be binding on all Parties.

10.3.4 If an alternative basis is not agreed pursuant to Clause 10.3.2, the rate of Interest shall continue to be determined in accordance with Clause 10.3.1.

10.4 **Break Costs** The Borrowers shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of the Loan or Unpaid Sum being paid by the Borrowers on a day other than the last day of an Interest Period for the Loan or Unpaid Sum.

Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 Fees

11.1 **Commitment Fee** The Borrowers shall pay to the Agent (for the account of the Lenders in proportion to their Commitments) a fee computed at the rate of 0.50 per cent per annum on the undrawn and uncanceled amount of the Loan from 23 May 2019 until the last day of the Availability Period.

The accrued commitment fee is payable on the last day of each successive period of three Months which ends during the Availability Period, on the last day of the Availability Period, on the Utilisation Date and (on the cancelled amount of the relevant Lender's Commitment) at the time the cancellation is effective.

11.2 **Arrangement fee** The Borrowers shall pay to the Agent an arrangement fee in the amount and at the times agreed in the Fee Letter.

11.3 **Agency fee** If any bank, financial institution, trust, fund or other entity other than the Original Lenders becomes a Party to this Agreement as a Lender, then the Borrowers shall pay to the Agent (for its own account) an agency fee payable in the amount and at the times to be agreed by the Agent and the Borrowers.

Section 6 Additional Payment Obligations

12 Tax Gross Up and Indemnities

12.1 Definitions In this Agreement:

"**Borrower DTTP Filing**" means an HM Revenue & Customs' Form DTTP2 duly completed and filed by the relevant Borrower, which:

- (a) where it relates to a Treaty Lender that is an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender's name in Schedule 1 (*The Parties*) and is filed with HM Revenue & Customs within 30 days of the date of this Agreement; or
- (b) where it relates to a Treaty Lender that is not an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the documentation which it executes on becoming a Party as a Lender and is filed with HM Revenue & Customs within 30 days of the relevant Transfer Date.

"**Protected Party**" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"**Qualifying Lender**" means a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:

- (a) a Lender which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or
- (b) a Lender which is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (ii) a partnership each member of which is:
 - (A) a company so resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest

payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

- (iii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or
- (c) a Treaty Lender.

"**Tax Confirmation**" means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

- (a) a company resident in the United Kingdom for United Kingdom tax purposes;
- (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
- (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

"**Tax Credit**" means a credit against, relief or remission for, or repayment of any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

"**Tax Payment**" means either the increase in a payment made by an Obligor to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

"**Treaty Lender**" means a Lender which:

- (a) is treated as a resident of a Treaty State for the purposes of the Treaty;
- (b) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loan is effectively connected.

"**Treaty State**" means a jurisdiction having a double taxation agreement (a "**Treaty**") with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

"**UK Non-Bank Lender**" means a Lender which is not an Original Lender and which gives a Tax Confirmation in the documentation which it executes on becoming a Party as a Lender.

Unless a contrary indication appears, in this Clause 12 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

12.2

Tax gross-up

12.2.1 Each Borrower and each Guarantor shall (and shall procure that each other Obligor will) make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

12.2.2 The Borrowers shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrowers and that Obligor.

12.2.3 (If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

12.2.4 A payment shall not be increased under Clause 12.2.3 by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:

(a) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty or any published practice or published concession of any relevant taxing authority; or

(b) the relevant Lender is a Qualifying Lender solely by virtue of (b) of the definition of Qualifying Lender and:

(i) an officer of H.M. Revenue & Customs has given (and not revoked) a direction (a "**Direction**") under section 931 of the ITA which relates to the payment and that Lender has received from the Obligor making the payment a certified copy of that Direction; and

- (ii) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or
 - (c) the relevant Lender is a Qualifying Lender solely by virtue of (b) of the definition of Qualifying Lender and:
 - (i) the relevant Lender has not given a Tax Confirmation to the Borrowers; and
 - (ii) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Borrowers, on the basis that the Tax Confirmation would have enabled the Borrowers to have formed a reasonable belief that the payment was an "excepted payment" for the purpose of section 930 of the ITA; or
 - (d) the relevant Lender is a Treaty Lender and the Obligor making the payment is able to demonstrate that the payment could have been made to that Lender without the Tax Deduction had that Lender complied with its obligations under Clause 12.2.7 or Clause 12.2.8 (as applicable).
- 12.2.5 If an Obligor is required to make a Tax Deduction, the Borrowers and each Guarantor shall (and shall procure that such other Obligor will) make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- 12.2.6 Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower or Guarantor making that Tax Deduction shall (and shall procure that such other Obligor will) deliver to the Agent for the Finance Party entitled to the payment a statement under section 975 of the ITA or other evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- 12.2.7
- (a) Subject to (b), a Treaty Lender and each Obligor which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.
 - (b)
 - (i) A Treaty Lender which is an Original Lender and that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence opposite its name in Schedule 1 (*The Parties*); and
 - (ii) a Treaty Lender which is not an Original Lender and that holds a passport under the HMRC DT Treaty Passport

scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the documentation which it executes on becoming a Party as a Lender,

and, having done so, that Lender shall be under no obligation pursuant to (a).

12.2.8 If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with Clause 12.2.7(b) and:

- (a) a Borrower making a payment to that Lender has not made a Borrower DTTP Filing in respect of that Lender; or
- (b) a Borrower making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but:
 - (i) that Borrower DTTP Filing has been rejected by HM Revenue & Customs; or
 - (ii) HM Revenue & Customs has not given that Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing,

and in each case, that Borrower has notified that Lender in writing, that Lender and that Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

12.2.9 If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with Clause 12.2.7(b), no Borrower or Guarantor shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment(s) or its participation in the Loan unless the Lender otherwise agrees.

12.2.10 A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Agent for delivery to the relevant Lender.

12.2.11 A UK Non-Bank Lender shall promptly notify the Borrowers and the Agent if there is any change in the position from that set out in the Tax Confirmation.

12.3 **Tax indemnity**

12.3.1 Each Borrower and each Guarantor shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

12.3.2 Clause 12.3.1 shall not apply:

(a) with respect to any Tax assessed on a Finance Party:

- (i) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
- (ii) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or

(b) to the extent a loss, liability or cost:

- (i) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*);
- (ii) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in Clause 12.2.4 (*Tax gross-up*) applied; or
- (iii) relates to a FATCA Deduction required to be made by a Party.

12.3.3 A Protected Party making, or intending to make a claim under Clause 12.3.1 shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrowers.

12.3.4 A Protected Party shall, on receiving a payment from a Borrower or a Guarantor under this Clause 12.3, notify the Agent.

12.4 **Tax Credit** If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

12.4.1 a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and

12.4.2 that Finance Party has obtained and utilised that Tax Credit,

that Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Obligor.

12.5 **Lender status confirmation** Each Lender which is not an Original Lender shall indicate, in the documentation which it executes on becoming a Party as a Lender, and for the benefit of the Agent and without liability to any Obligor, which of the following categories it falls in:

- 12.5.1 not a Qualifying Lender;
- 12.5.2 a Qualifying Lender (other than a Treaty Lender); or
- 12.5.3 a Treaty Lender.

If such a Lender fails to indicate its status in accordance with this Clause 12.5 then that Lender shall be treated for the purposes of this Agreement (including by each Obligor) as if it is not a Qualifying Lender until such time as it notifies the Agent which category applies (and the Agent, upon receipt of such notification, shall inform the Borrowers). For the avoidance of doubt, the documentation which a Lender executes on becoming a Party as a Lender shall not be invalidated by any failure of a Lender to comply with this Clause 12.5.

12.6 **Stamp taxes** The Borrowers shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.7 **VAT**

12.7.1 All amounts expressed to be payable under a Finance Document by any Party or any Obligor to a Finance Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to Clause 12.7.2, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party or any Obligor under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party or Obligor must pay to such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Finance Party must promptly provide an appropriate VAT invoice to the Borrowers).

12.7.2 If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party other than the Recipient (the "**Relevant Party**") is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):

- (a) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this Clause 12.7.2(a) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and

- (b) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.
- 12.7.3 Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- 12.7.4 Any reference in this Clause 12.7 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994) or any equivalent person in any jurisdiction other than the United Kingdom.
- 12.7.5 In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

12.8 **FATCA information**

- 12.8.1 Subject to Clause 12.8.3, each Party shall, within ten Business Days of a reasonable request by another Party:
 - (a) confirm to that other Party whether it is:
 - (i) a FATCA Exempt Party; or
 - (ii) not a FATCA Exempt Party;
 - (b) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and
 - (c) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

- 12.8.2 If a Party confirms to another Party pursuant to Clause 12.8.1(a)(1) that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- 12.8.3 Clause 12.8.1 shall not oblige any Finance Party to do anything, and Clause 12.8.1(c) shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
- (a) any law or regulation;
 - (b) any fiduciary duty; or
 - (c) any duty of confidentiality.
- 12.8.4 If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with Clause 12.8.1(a) or 12.8.1(b) (including, for the avoidance of doubt, where Clause 12.8.3 applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.
- 12.8.5 If a Borrower is a US Tax Obligor or the Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:
- (a) where a Borrower is a US Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;
 - (b) where a Borrower is a US Tax Obligor on a date on which any other Lender becomes a Party as a Lender, that date; or
 - (c) where a Borrower is not a US Tax Obligor, the date of a request from the Agent,
- supply to the Agent:
- (i) a withholding certificate on Form W-8 or Form W-9 or any other relevant form; or
 - (ii) any withholding statement or other document, authorisation or waiver as the Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.
- 12.8.6 The Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to Clause 12.8.5 to the Borrowers.
- 12.8.7 If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Agent by a Lender pursuant to Clause 12.8.5 is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding

certificate, withholding statement, document, authorisation or waiver to the Agent unless it is unlawful for the Lender to do so (in which case the Lender shall promptly notify the Agent). The Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the Borrowers,

12.8.8 The Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to Clause 12.8.5 or 12.8.7 without further verification. The Agent shall not be liable for any action taken by it under or in connection with Clause 12.8.5, 12.8.6 or 12.8.7.

12.9 **FATCA Deduction**

12.9.1 Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

12.9.2 Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Borrowers and the Agent and the Agent shall notify the other Finance Parties.

13 **Increased Costs**

13.1 Increased costs Subject to Clause 13.3 (*Exceptions*) the Borrowers shall, within three Business Days of a demand by the Agent, pay to the Agent for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement or (iii) the implementation or application of or compliance with Basel III or CRD IV or any other law or regulation which implements Basel III or CRD IV (whether such implementation, application or compliance is by a government, regulator, that Finance Party or any of that Finance Party's Affiliates).

In this Agreement:

(a) **"Basel III"** means:

(i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

- (ii) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement - Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
 - (iii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III".
- (b) "CRD IV" means:
- (i) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended, supplemented or restated;
 - (ii) Regulation EU No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation EU No 648/2012, as amended, supplemented or restated; and
 - (iii) any other law or regulation which implements Basel III.
- (c) "Increased Costs" means:
- (i) a reduction in the rate of return from the Loan or on a Finance Party's (or its Affiliate's) overall capital;
 - (ii) an additional or increased cost; or
 - (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into any Finance Document or funding or performing its obligations under any Finance Document.

13.2 **Increased cost claims**

13.2.1 A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrowers.

13.2.2 Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 **Exceptions** Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

13.3.1 attributable to a Tax Deduction required by law to be made by a Borrower or a Guarantor;

- 13.3.2 attributable to a FATCA Deduction required to be made by a Party;
- 13.3.3 compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 but was not so compensated solely because any of the exclusions in Clause 12.3 applied);
- 13.3.4 compensated for by the payment of the Mandatory Cost;
- 13.3.5 attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.

In this Clause 13.3, a reference to a "Tax Deduction" has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 Other Indemnities

14.1 **Currency indemnity** If any sum due from a Borrower or a Guarantor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

- 14.1.1 making or filing a claim or proof against that Borrower or that Guarantor (as the case may be); or
- 14.1.2 obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Borrower or that Guarantor (as the case may be) as an independent obligation, within three Business Days of demand, indemnify each Secured Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (a) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (b) the rate or rates of exchange available to that Secured Party at the time of its receipt of that Sum.

Each Borrower and each Guarantor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

- 14.2.1 The Borrowers shall, within three Business Days of demand, indemnify each Secured Party against any cost, loss or liability incurred by that Secured Party as a result of:
 - (a) the occurrence of any Event of Default;
 - (b) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 31 (*Sharing among the Finance Parties*);

- (c) funding, or making arrangements to fund, its participation in the Loan requested by the Borrowers in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) the Loan (or part of the Loan) not being prepaid in accordance with a notice of prepayment given by the Borrowers.

14.2.2 The Borrowers shall promptly indemnify each Finance Party, each Affiliate of a Finance Party and each officer or employee of a Finance Party or its Affiliate (each such person for the purposes of this Clause 14.2 an "**Indemnified Person**") against any cost, loss or liability incurred by that Indemnified Person pursuant to or in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry, in connection with or arising out of the entry into and the transactions contemplated by the Finance Documents, having the benefit of any Encumbrance constituted by the Finance Documents or which relates to the condition or operation of, or any incident occurring in relation to, a Vessel, unless such cost, loss or liability is caused by the gross negligence or wilful misconduct of that Indemnified Person. Any Affiliate or any officer or employee of a Finance Party or its Affiliate may rely on this Clause 14.2 subject to Clause 1.7 (*Third party rights*) and the provisions of the Third Parties Act.

14.2.3 Subject to any limitations set out in Clause 14.2.2, the indemnity in that Clause shall cover any cost, loss or liability incurred by each Indemnified Person in any jurisdiction:

- (a) arising or asserted under or in connection with any law relating to safety at sea, the ISM Code, any Environmental Law or any Sanctions; or
- (b) in connection with any Environmental Claim.

14.3 **Indemnity to the Agent** The Borrowers shall promptly indemnify the Agent against:

14.3.1 any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or
- (c) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement; and

14.3.2 any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than

by reason of the Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 32.11 (*Disruption to payment systems etc.*) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent under the Finance Documents.

14.4 **Indemnity to the Security Agent** Each Borrower and each Guarantor jointly and severally shall promptly indemnify the Security Agent and every Receiver and Delegate against any cost, loss or liability incurred by any of them as a result of:

14.4.1 any failure by the Borrowers to comply with their obligations under Clause 16 (*Costs and Expenses*);

14.4.2 acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

14.4.3 the taking, holding, protection or enforcement of the Security Documents;

14.4.4 the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent and each Receiver and Delegate by the Finance Documents or by law;

14.4.5 any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or

14.4.6 acting as Security Agent, Receiver or Delegate under the Finance Documents or which otherwise relates to any of the Charged Property (otherwise, in each case, than by reason of the relevant Security Agent's, Receiver's or Delegate's gross negligence or wilful misconduct).

14.5 **Indemnity survival** The indemnities contained in this Agreement shall survive repayment of the Loan.

15 **Mitigation by the Lenders**

15.1 **Mitigation** Each Finance Party shall, in consultation with the Borrowers, take all reasonable steps to mitigate any circumstances which arise and which would result in the Loan ceasing to be available or any amount becoming payable under or pursuant to any of Clause 7.1 (*Illegality*), Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13 (*Increased Costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office. The above does not in any way limit the obligations of any Obligor under the Finance Documents.

15.2 **Limitation of liability** The Borrowers shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*). A Finance Party is not obliged to take any steps under Clause 15.1 if, in its opinion (acting reasonably), to do so might be prejudicial to it.

16 Costs and Expenses

- 16.1 **Transaction expenses** The Borrowers shall promptly on demand pay the Agent, the Security Agent the amount of all costs and expenses (including legal fees) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with:
- 16.1.1 the negotiation, preparation, printing, execution, syndication and perfection of this Agreement and any other documents referred to in this Agreement;
 - 16.1.2 the negotiation, preparation, printing, execution and perfection of any other Finance Documents executed after the date of this Agreement;
 - 16.1.3 any other document which may at any time be required by a Finance Party to give effect to any Finance Document or which a Finance Party is entitled to call for or obtain under any Finance Document; and
 - 16.1.4 any discharge, release or reassignment of any of the Security Documents.
- 16.2 **Amendment costs** If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 32.10 (*Change of currency*), the Borrowers shall, within three Business Days of demand, reimburse each of the Agent and the Security Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent and the Security Agent (and, in the case of the Security Agent, by any Receiver or Delegate) in responding to, evaluating, negotiating or complying with that request or requirement.
- 16.3 **Agent and Security Agent's management time and additional remuneration** Any amount payable to the Agent under Clause 14.3 (*Indemnity to the Agent*) or to the Security Agent under Clause 14.4 (*Indemnity to the Security Agent*) or to either of them under this Clause 16 or Clause 27.10 (*Lenders' indemnity to the Agent*) shall include the cost of utilising the management time or other resources of the Agent or the Security Agent (as the case may be) and will be calculated on the basis of such reasonable daily or hourly rates as the Agent or the Security Agent may notify to the Borrowers and the Lenders, and is in addition to any other fee paid or payable to the Agent or the Security Agent.
- 16.4 **Enforcement and preservation costs** The Borrowers shall, within three Business Days of demand, pay to each Finance Party and each other Secured Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document and any proceedings instituted by or against the Security Agent as a consequence of taking or holding the Security Documents or enforcing those rights including (without limitation) any losses, costs and expenses which that Finance Party or other Secured Party may from time to time sustain, incur or become liable for by reason of that Finance Party or other Secured Party being mortgagee of a Vessel and/or a lender to a Borrower, or by reason of that Finance Party or other Secured Party being deemed by any court or authority to be an operator or controller, or in any way concerned in the operation or control, of a Vessel.
- 16.5 **Other costs** The Borrowers shall, within three Business Days of demand, pay to each Finance Party and each other Secured Party the amount of all sums which that

Finance Party or other Secured Party may pay or become actually or contingently liable for on account of a Borrower in connection with a Vessel (whether alone or jointly or jointly and severally with any other person) including (without limitation) all sums which that Finance Party or other Secured Party may pay or guarantees which it may give in respect of the Insurances, any expenses incurred by that Finance Party or other Secured Party in connection with the maintenance or repair of a Vessel or in discharging any lien, bond or other claim relating in any way to a Vessel, and any sums which that Finance Party or other Secured Party may pay or guarantees which it may give to procure the release of a Vessel from arrest or detention.

Section 7 **Accounts and Application of Earnings**

17 **Accounts**

17.1 **Accounts**

17.1.1 The Borrowers shall maintain the Earnings Accounts with the Account Holder for the duration of the Facility Period free of Encumbrances and rights of set off other than those created by or under the Finance Documents.

17.1.2 No Borrower shall open any bank account with any bank or financial institution other than the Account Holder.

17.2 **Earnings** The Borrowers shall procure that all Earnings, any and all proceeds of a sale of a Vessel and any Requisition Compensation are credited to the Earnings Account.

17.3 **Application of Earnings Accounts** The Borrowers shall transfer or cause to be transferred from the Earnings Accounts to the Agent for the account of the Lenders:

17.3.1 on each Repayment Date, the amount of the Repayment Instalment then due; and

17.3.2 on each Interest Payment Date, the amount of interest then due,

and the Borrowers irrevocably authorise the Security Agent to instruct the Account Holder to make those transfers if the Borrowers fail to do so.

17.4 **Borrowers' obligations not affected** If for any reason the amount standing to the credit of the Earnings Account is insufficient to pay any Repayment Instalment or to make any payment of interest when due, the Borrowers' obligation to pay that Repayment Instalment or to make that payment of interest shall not be affected.

17.5 **Release of surplus** Any amount remaining to the credit of the Earnings Account following the making of any transfer required by Clause 17.3 (*Application of Earnings Accounts*) shall (unless an Event of Default is continuing) be released to or to the order of the Borrowers.

17.6 **Restriction on withdrawal** During the Facility Period no sum may be withdrawn from the Earnings Accounts (except in accordance with this Clause 17) without the prior written consent of the Security Agent. The Earnings Accounts shall not be overdrawn.

17.7 **Relocation of Accounts** On and at any time after the occurrence of a Default which is continuing, the Security Agent may without the consent of the Borrowers instruct the Account Holder to relocate either or any of the Earnings Accounts to any other branch of the Account Holder, without prejudice to the continued application of this Clause 17 and the rights of the Finance Parties under the Finance Documents.

17.8 **Access to information** The Security Agent (and its nominees) may from time to time during the Facility Period review the records held by the Account Holder (whether in written or electronic form) in relation to the Earnings Accounts, and the Borrowers irrevocably waive any right of confidentiality which may exist in relation to those records.

- 17.9 **Statements** Without prejudice to the rights of the Security Agent under Clause 17.8 (*Access to information*), the Borrowers shall procure that the Account Holder provides to the Security Agent, no less frequently than each calendar month during the Facility Period, statements of account (In written or electronic form) showing all entries made to the credit and debit of each of the Earnings Accounts during the immediately preceding calendar month.
- 17.10 **Application after acceleration** From and after the giving of notice to the Borrowers by the Agent under Clause 24.2.1 (*Acceleration*), the Borrowers shall procure that all sums from time to time standing to the credit of any of the Earnings Accounts are immediately transferred to the Security Agent or any Receiver or Delegate for application in accordance with Clause 28 (*Application of Proceeds*) and the Borrowers irrevocably authorise the Security Agent to instruct the Account Holder to make those transfers.
- 18 Additional Security**
- 18.1 **VTL Coverage**
- 18.1.1 If at any time the aggregate of the Market Value of the Vessels and the value of any additional security (such value to be the face amount of the deposit (in the case of cash), determined conclusively by appropriate advisers appointed by the Agent (in the case of other charged assets), and determined by the Agent (in all other cases)) for the time being provided to the Security Agent under this Clause 18.1 is less than 125% of the aggregate of the amount of the Loan then outstanding and the amount certified by the Swap Provider to be the amount which would be payable by the Borrowers to the Swap Provider under the Master Agreement if an Early Termination Date were to occur at that time (the "**VTL Coverage**"), the Borrowers shall, within 30 days of the Agent's request, at the Borrowers' option:
- (a) pay to the Security Agent or to its nominee a cash deposit in the amount of the shortfall to be secured in favour of the Security Agent as additional security for the payment of the Indebtedness; or
 - (b) give to the Security Agent other additional security in amount and form acceptable to the Security Agent for a value determined in accordance with the first part of this Clause 18.1.1; or
 - (c) prepay the Loan in the amount of the shortfall.
- 18.1.2 Clauses 6.3 (*Reborrowing*), 7.3 (*Voluntary prepayment of Loan*) and 7.8 (*Restrictions*) shall apply, *mutatis mutandis*, to any prepayment made under this Clause 18.1.
- 18.1.3 If, at any time after the Borrowers have provided additional security in accordance with the Agent's request under this Clause 18.1, the Agent shall determine when testing compliance with the VTL Coverage that all or any part of that additional security may be released without resulting in a shortfall in the VTL Coverage, then, provided that no Default Is continuing,

the Security Agent shall effect a release of all or any part of that additional security in accordance with the Agent's instructions, but this shall be without prejudice to the Agent's right to make a further request under this Clause 18.1 should the value of the remaining security subsequently merit it.

18.2 Provision of valuations

- 18.2.1 The Borrowers shall provide the Agent with one set of valuations each in evidence of the Market Value of the Vessels for the purpose of Clause 18.1 (*VTL Coverage*) twice per calendar year throughout the Facility Period.
- 18.2.2 If the Agent so requires, the Borrowers shall provide to the Agent with a second set of valuations by an approved shipbroker and the Market Value shall be the arithmetic average of the two sets of valuations by the two approved shipbrokers.
- 18.2.3 Additionally, the Agent shall at the request of the Lenders be entitled to obtain a valuation in evidence of the Market Value of a Vessel for the purpose of Clause 18.1 (*VTL Coverage*) at any time and such valuation obtained shall be at the expense of the Lenders except where the Borrowers are by means of such valuation shown to be in breach of that Clause.
- 18.2.4 The Agent may at any time after a Default has occurred and is continuing or following the occurrence of an event described in Clause 7.5 (*Mandatory prepayment of sale or Total Loss*) or during the continuation of an Event of Default obtain two sets of valuations in evidence of the Market Value of a Vessel or any other vessel over which additional security has been created in accordance with Clause 18.1 (*VTL Coverage*).
- 18.2.5 All valuations referred to in this Clause 18.2, except where specified in Clause 18.2.3, and all valuations to be obtained pursuant to Clause 4 (*Conditions of Utilisation*) shall be obtained at the cost and expense of the Borrowers and the Borrowers shall within three Business Days of demand by the Agent pay to the Agent the amount of all such costs and expenses.

19 Guarantee and Indemnity

19.1 Guarantee and indemnity Each Guarantor irrevocably and unconditionally jointly and severally:

- 19.1.1 guarantees to each Finance Party punctual performance by each other Obligor of all that Obligor's obligations under the Finance Documents;
- 19.1.2 undertakes with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- 19.1.3 agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of an Obligor not paying any amount which would, but for such unenforceability, invalidity or

illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 19 if the amount claimed had been recoverable on the basis of a guarantee.

- 19.2 **Continuing Guarantee** This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.
- 19.3 **Reinstatement** If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 19 will continue or be reinstated as if the discharge, release or arrangement had not occurred.
- 19.4 **Waiver of defences** The obligations of each Guarantor under this Clause 19 will not be affected by an act, omission, matter or thing which, but for this Clause 19.4, would reduce, release or prejudice any of its obligations under this Clause 19 (without limitation and whether or not known to it or any Finance Party) including:
- 19.4.1 any time, waiver or consent granted to, or composition with, any Obligor or other person;
 - 19.4.2 the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any Obligor or any other member of the Group;
 - 19.4.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
 - 19.4.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
 - 19.4.5 any amendment, novation, supplement, extension restatement (however fundamental and whether or not more onerous) or replacement of a Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Finance Document or other document or security;
 - 19.4.6 any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
 - 19.4.7 any insolvency or similar proceedings.

- 19.5 **Guarantor intent** Without prejudice to the generality of Clause 19.4 (*Waiver of defences*), each Guarantor expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Finance Documents and/or any facility or amount made available under any of the Finance Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.
- 19.6 **Immediate recourse** Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 19. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.
- 19.7 **Appropriations** Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:
- 19.7.1 refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and
- 19.7.2 hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 19.
- 19.8 **Deferral of Guarantors' rights** Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Guarantor shall exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 19:
- 19.8.1 to be indemnified by an Obligor;
- 19.8.2 to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;
- 19.8.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;
- 19.8.4 to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 19.1 (*Guarantee and indemnity*);

19.8.5 to exercise any right of set-off against any Obligor; and/or

19.8.6 to claim or prove as a creditor of any Obligor in competition with any Finance Party.

If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 32 (*Payment mechanics*).

19.9 **Additional security** This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

Section 8 Representations, Undertakings and Events of Default

20 Representations

20.1 **Representations** Each Borrower and each Guarantor makes the representations and warranties set out in this Clause 20 to each Finance Party.

20.1.1 **Status** Each of the Obligors:

- (a) is a limited liability corporation, duly incorporated and validly existing under the law of its Original Jurisdiction; and
- (b) has the power to own its assets and carry on its business as it is being conducted.

20.1.2 **Binding obligations** Subject to the Legal Reservations:

- (a) the obligations expressed to be assumed by each of the Obligors in each of the Relevant Documents to which it is a party are legal, valid, binding and enforceable obligations; and
- (b) (without limiting the generality of Clause 20.1.2(a)) each Security Document to which it is a party creates the security interests which that Security Document purports to create and those security interests are valid and effective.

20.1.3 **Non-conflict with other obligations** The entry into and performance by each of the Obligors of, and the transactions contemplated by, the Relevant Documents do not and will not conflict with:

- (a) any law or regulation applicable to such Obligor;
- (b) the constitutional documents of such Obligor; or
- (c) any agreement or instrument binding upon such Obligor or any of such Obligor's assets or constitute a default or termination event (however described) under any such agreement or instrument.

20.1.4 **Power and authority**

- (a) Each of the Obligors has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Relevant Documents to which it is or will be a party and the transactions contemplated by those Relevant Documents.
- (b) No limit on the powers of any Obligor will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Relevant Documents to which it is a party.

20.1.5 **Validity and admissibility in evidence** All Authorisations required or desirable:

- (a) to enable each of the Obligors lawfully to enter Into, exercise its rights and comply with its obligations in the Relevant Documents to which it is a party or to enable each Finance Party to enforce and exercise all its rights under the Relevant Documents; and
- (b) to make the Relevant Documents to which any Obligor Is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are In full force and effect, with the exception only of the registrations referred to in Part II of Schedule 2 (*Conditions Subsequent*).

20.1.6 **Governing law and enforcement**

- (a) The choice of governing law of any Finance Document will be recognised and enforced in the Relevant Jurisdictions of each relevant Obligor.
- (b) Any judgment obtained in relation to any Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in the Relevant Jurisdictions of each relevant Obligor.

20.1.7 **Insolvency** No corporate action, legal proceeding or other procedure or step described in Clause 24.1.7 (*Insolvency proceedings*) or creditors' process described in Cause 24.1.8 (*Creditors' process*) has been taken or, to the knowledge of any Borrower or any Guarantor, threatened in relation to an Obligor; and none of the circumstances described in Clause 24.1.6 (*Insolvency*) applies to an Obligor.

20.1.8 **No filing or stamp taxes** Under the laws of the Relevant Jurisdictions of each relevant Obligor it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in any of those jurisdictions or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except registration of each Mortgage at the Ships Registry where title to the relevant Vessel is registered in the ownership of the relevant Borrower and payment of associated fees, which registrations, filings, taxes and fees will be made and paid promptly after the date of the relevant Finance Document,

20.1.9 **Deduction of Tax** None of the Obligors is required under the law of its jurisdiction of incorporation to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Lender which is:

- (a) a Qualifying Lender falling within (a) of the definition of Qualifying Lender; or, except where a Direction has been given under section 931 of the ITA in relation to the payment concerned, a Qualifying Lender falling within (b) of the definition of Qualifying Lender; or

- (b) a Treaty Lender and the payment is one specified in a direction given by the Commissioners of Revenue & Customs under Regulation 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (SI 1970/488).

20.1.10 **No default**

- (a) No Event of Default and, on the date of this Agreement and each Utilisation Date, no Default is continuing or is reasonably likely to result from the advance of the Loan or the entry into, the performance of, or any transaction contemplated by, any of the Relevant Documents.
- (b) No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on any of the Obligors or to which its assets are subject which has or is reasonably likely to have a Material Adverse Effect.

20.1.11 **No misleading information** Save as disclosed in writing to the Agent prior to the date of this Agreement:

- (a) all material information provided to a Finance Party by or on behalf of any of the Obligors on or before the date of this Agreement and not superseded before that date is accurate and not misleading in any material respect and all projections provided to any Finance Party on or before the date of this Agreement have been prepared in good faith on the basis of assumptions which were reasonable at the time at which they were prepared and supplied; and
- (b) all other written information provided by any of the Obligors (including its advisers) to a Finance Party was true, complete and accurate in all material respects as at the date it was provided and is not misleading in any respect.

20.1.12 **Financial statements**

- (a) The Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) The unaudited Original Financial Statements fairly represent the Group's financial condition and results of operations for the relevant semester.
- (c) The audited Original Financial Statements fairly represent the Group's financial condition and results of operations during the relevant financial year.

- (d) There has been no material adverse change in the assets, business or consolidated financial condition of the **Group** since the date of the Original Financial Statements.
- (e) The Group's most recent financial statements delivered pursuant to Clause 21.1 (*Financial statements*):
 - (i) have been prepared in accordance with GAAP as applied to the Original Financial Statements; and
 - (ii) fairly represent its consolidated financial condition as at the end of, and its consolidated results of operations for, the period to which they relate.
- (f) Since the date of the most recent financial statements delivered pursuant to Clause 21.1 (*Financial statements*) there has been no material adverse change in the assets, business or financial condition of any of the Obligors or any other member of the Group.

20.1.13 **No proceedings**

- (a) No litigation, arbitration or administrative proceedings or investigation of or before any court, arbitral body or agency which, if adversely determined, are reasonably likely to have a Material Adverse Effect have (to the best of its knowledge and belief (having made due and careful enquiry)) been started or threatened against any of the Obligors.
- (b) No judgment or order of a court, arbitral body or agency which is reasonably likely to have a Material Adverse Effect has (to the best of its knowledge and belief (having made due and careful enquiry)) been made against any of the Obligors.

20.1.14 **No breach of laws** None of the Obligors has breached any law or regulation which breach has or is reasonably likely to have a Material Adverse Effect.

20.1.15 **Environmental laws**

- (a) Each of the Obligors and each other member of the Group is in compliance with Clause 23.3 (*Environmental compliance*) and to the best of its knowledge and belief (having made due and careful enquiry) no circumstances have occurred which would prevent such compliance in a manner or to an extent which has or is reasonably likely to have a Material Adverse Effect.
- (b) No Environmental Claim has been commenced or (to the best of its knowledge and belief (having made due and careful enquiry)) is threatened against any of the Obligors or any other member of the Group where that claim has or is reasonably likely, if determined against that Obligor or other member of the Group, to have a Material Adverse Effect.

- 20.1.16 **Taxation**
- (a) None of the Obligors is materially overdue in the filing of any Tax returns or is overdue in the payment of any amount in respect of Tax.
 - (b) No claims or investigations are being, or are reasonably likely to be, made or conducted against any of the Obligors with respect to Taxes.
 - (c) Each of the Obligors is resident for Tax purposes only in its Original Jurisdiction.
- 20.1.17 **Anti-corruption law** Each of the Obligors and each other member of the Group and each Affiliate of any of them has conducted its businesses in compliance with applicable anti-corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.
- 20.1.18 **No Encumbrance or Financial Indebtedness**
- (a) No Encumbrance or Quasi-Security exists over all or any of the present or future assets of any of the Obligors other than as permitted by the Finance Documents.
 - (b) None of the Obligors has any Financial Indebtedness outstanding other than as permitted by this Agreement.
- 20.1.19 **Pari passu ranking** The payment obligations of each of the Obligors under the Finance Documents to which it is a party rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.
- 20.1.20 **No adverse consequences**
- (a) It is not necessary under the laws of the Relevant Jurisdictions of any of the Obligors:
 - (i) in order to enable any Finance Party to enforce its rights under any Finance Document; or
 - (ii) by reason of the execution of any Finance Document or the performance by it of its obligations under any Finance Document,that any Finance Party should be licensed, qualified or otherwise entitled to carry on business in any of the Relevant Jurisdictions of any of the Obligors.
 - (b) No Finance Party is or will be deemed to be resident, domiciled or carrying on business in any of the Relevant Jurisdictions of any of the Obligors by reason only of the execution, performance and/or enforcement of any Finance Document.

- 20.1.21 **Disclosure of material facts** No Borrower is aware of any material facts or circumstances which have not been disclosed to the Agent and which might, if disclosed, have changed the decision of a person willing to make loan facilities of the nature contemplated by this Agreement available to the Borrowers.
- 20.1.22 **Completeness of Relevant Documents** The copies of any Relevant Documents provided or to be provided by the Borrowers to the Agent in accordance with Clause 4 (*Conditions of Utilisation*) are, or will be, true and accurate copies of the originals and represent, or will represent, the full agreement between the parties to those Relevant Documents in relation to the subject matter of those Relevant Documents and there are no commissions, rebates, premiums or other payments due or to become due in connection with the subject matter of those Relevant Documents other than in the ordinary course of business or as disclosed to, and approved in writing by, the Agent.
- 20.1.23 **No immunity** No Obligor or any of Its assets is immune to any legal action or proceeding.
- 20.1.24 **Money laundering** Any borrowing by a Borrower under this Agreement, and the performance of its obligations under this Agreement and under the other Finance Documents, will be for its own account and will not involve any breach by it of any law or regulatory measure relating to "money laundering" as defined in Article 1 of the Directive ((EU) 2015/849) of the European Parliament and of the Council of the European Communities.
- 20.1.25 **Sanctions**
- (a) None of the Obligors, any other member of the Group or any Affiliate of any of them is a Restricted Party or is owned or controlled by, or acting directly or indirectly on behalf of or for the benefit of, a Restricted Party and none of such persons owns or controls a Restricted Party.
 - (b) No proceeds of the Loan shall be made available, directly or indirectly, to or for the benefit of a Restricted Party or otherwise shall be, directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions.
 - (c) Each of the Obligors, each other member of the Group and each Affiliate of any of them Is in compliance with all Sanctions.
- 20.1.26 **Ownership and control of Borrowers** Each Borrower is a wholly owned direct or indirect subsidiary of the Original Guarantor and is controlled by the Original Guarantor.
- 20.1.27 **Ranking** Any Encumbrance created or expressed to be created in favour of the Security Agent pursuant to the Security Documents has or will have the ranking in priority which it is expressed to have in the Security Documents and it is not subject to any prior ranking or pari passu ranking of an Encumbrance.

- 20.1.28 **Ownership of assets** With effect on and from the date of its creation or intended creation, each Obligor will be the sole legal and beneficial owner of any asset that is the subject of any Security Document created or intended to be created.
- 20.1.29 **Centre of main interests and establishments** For the purposes of The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings (the "Regulation"), each Obligor's centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in its Original Jurisdiction and it has no "establishment" (as that term is used in Article 2(h) of the Regulation) in any other jurisdiction.

20.2 **Repetition** Each Repeating Representation is deemed to be made by each Borrower and each Guarantor by reference to the facts and circumstances then existing on the date of this Agreement, the date of the Utilisation Request, on the Utilisation Date, on the first day of each Interest Period and, in the case of those contained in Clauses 20.1.12(d) and 20.1.12(f) (*Financial statements*) and for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

21 **Information Undertakings**

The undertakings in this Clause 21 remain in force for the duration of the Facility Period.

21.1 **Financial statements** The Original Guarantor shall supply to the Agent in sufficient copies for all of the Lenders:

21.1.1 as soon as the same become available, but in any event within 180 days after the end of each of its financial years its audited consolidated financial statements for that financial year;

21.1.2 as soon as the same become available, but in any event within 120 days after the end of each half year during each of its financial years, the unaudited semi-annual financial statements for that half year.

21.2 **Compliance Certificate**

21.2.1 The Original Guarantor shall supply to the Agent, with each set of its annual financial statements delivered pursuant to Clause 21.1.1 (*Financial statements*) and each set of its semi-annual financial statements delivered pursuant to Clause 21.1.2 (*Financial statements*), a Compliance Certificate setting out (in detail) computations as to compliance with Clause 22 (*Financial Covenants*) and Clause 18.1 (*VTL Coverage*) as at the date as at which those financial statements were drawn up.

21.2.2 Each Compliance Certificate shall be signed by the chief financial officer of the Original Guarantor.

21.3 **Requirements as to financial statements**

Each set of financial statements delivered pursuant to Clause 21.1 (*Financial statements*):

- 21.3.1 shall be certified by a director of the Original Guarantor as fairly representing its financial condition and operations as at the date as at which those financial statements were drawn up;
- 21.3.2 shall be prepared using GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Agent:
- (a) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and
 - (b) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Agent to determine whether Clause 22 (*Financial Covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements.

Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

21.4 **Information: miscellaneous** Each Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- 21.4.1 at the same time as they are dispatched, copies of all documents dispatched by that Borrower to its shareholders generally (or any class of them) or dispatched by that Borrower or any other Obligor to its creditors generally (or any class of them);
- 21.4.2 promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any Obligor and which, if adversely determined, are reasonably likely to have a Material Adverse Effect;
- 21.4.3 promptly upon becoming aware of them, the details of any judgment or order of a court, arbitral body or agency which is made against any Obligor and which is reasonably likely to have a Material Adverse Effect;
- 21.4.4 promptly, such information and documents as the Security Agent may reasonably require about the Charged Property and compliance of the Obligors with the terms of any Security Documents (including without limitation cash flow analyses and details of the operating costs of any Vessel); and
- 21.4.5 promptly on request, such further information regarding the financial condition, assets and operations of any Obligor or any other member of the Group (including any requested amplification or explanation of any item in the financial statements, budgets or other material provided by any Obligor

under this Agreement, any changes to management of the Group and an up to date copy of its shareholders' register (or equivalent in its Original Jurisdiction)) as any Finance Party through the Agent may reasonably request.

21.5 **Notification of default**

21.5.1 Each Borrower and each Guarantor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

21.5.2 Promptly upon a request by the Agent, each Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

21.6 **"Know your customer" checks**

21.6.1 If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
- (b) any change in the status of an Obligor (or of a Holding Company of an Obligor) or the composition of the shareholders of an Obligor (or of a Holding Company of an Obligor) after the date of this Agreement; or
- (c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of Clause 21.6.1(c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in Clause 21.6.1(c), on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in Clause 21.6.1(c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

21.6.2 Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other

similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- 21.6.3 The Borrowers shall, by not less than ten Business Days' prior written notice to the Agent, notify the Agent (which shall promptly notify the Lenders) of the intention to request that any other member of the Group becomes an Additional Guarantor pursuant to Clause 26 (*Changes to the Obligors*).
- 216.4 Following the giving of any notice pursuant to Clause 21.6.3, if the accession of such Additional Guarantor obliges the Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrowers shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of such member of the Group to this Agreement as an Additional Guarantor.

22 Financial Covenants

22.1 The Original Guarantor shall maintain throughout the Facility Period a Market Value Adjusted Net Worth of:

- 22.1.1 not less than 25% of Market Value Adjusted Total Assets; and
- 22.1.2 not less than \$150,000,000.

The financial covenants contained in this Clause 22 shall be tested for the first time on 30 June 2019, and thereafter semi-annually on the basis of the annual financial statements and semi annual financial statements (as applicable) to be provided under Clause 21.1 (*Financial statements*) and shall be confirmed in the relevant Compliance Certificate.

The expressions used in this Clause shall be construed in accordance with GAAP, and for the purposes of this Agreement:-

"**Fleet Vessel**" means any vessel (including, but not limited to, the Vessels) from time to time wholly owned by a member of the Group (directly or indirectly) including chartered-in vessels for which a member of the Group has a purchase obligation but excluding, for the avoidance of doubt, any newbuilding vessels not delivered to the relevant member of the Group at the relevant time, and "Fleet Vessels" means more than one of them).

"**Market Value Adjusted Net Worth**" means the amount by which the Market Value Adjusted Total Assets exceed the Total Liabilities;

"**Market Value Adjusted Total Assets**" means, at any time, Total Assets adjusted to reflect the difference between the book values of all Fleet Vessels and the aggregate Market Value of all Fleet Vessels and any vessels from time to time wholly

owned by a member of the Group (directly or indirectly) which are subject to lease transactions;

"**Total Assets**" means, as at the date of calculation or, as the case may be, for any accounting period, the aggregate value of all assets of the Group (including, without limitation, the Vessels) included in the annual or semi-annual (as the case may be) financial statements provided under Clause 21.1 (*Financial statements*) in accordance with GAAP, as at that date or for that period as shown in the most recent financial statements provided by the Original Guarantor pursuant to Clause 21.1 (*Financial statements*); and

"**Total Liabilities**" means, as at the date of calculation or, as the case may be, for any accounting period, the total liabilities of the Group as determined in conformity with GAAP, as at that date or for that period as shown in the most recent financial statements provided by the Original Guarantor pursuant to Clause 21.1 (*Financial statements*).

22.2 Each Borrower shall at all times during the Facility Period maintain the Minimum Liquidity Amount in a bank account with the Account Holder, in each case free of any Encumbrances other than in favour of the Security Agent.

23 General Undertakings

The undertakings in this Clause 23 remain in force for the duration of the Facility Period.

23.1 **Authorisations** Each Borrower and each Guarantor shall promptly:

23.1.1 obtain, comply with and do all that is necessary to maintain in full force and effect; and

23.1.2 supply certified copies to the Agent of,

any Authorisation required under any law or regulation of a Relevant Jurisdiction to:

(a) enable any Obligor to perform its obligations under the Finance Documents to which it is a party;

(b) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document; and

(c) enable any Obligor to carry on its business where failure to do so has or is reasonably likely to have a Material Adverse Effect.

23.2 **Compliance with laws**

23.2.1 Each Borrower and each Guarantor shall comply (and shall procure that each other Obligor, each other member of the Group and each Affiliate of any of them will comply). In all respects with all laws to which it may be subject, if (except as regards Sanctions, to which Clause 23.2.2 applies, and anti-corruption laws, to which Clause 23.5 applies) failure so to comply has or is reasonably likely to have a Material Adverse Effect.

23.2.2 Each Borrower and each Guarantor shall comply (and shall procure that each other Obligor, each other member of the Group and each Affiliate of any of them will comply) in all respects with all Sanctions.

23.3 **Environmental compliance**

Each Borrower and each Guarantor shall:

23.3.1 comply with all Environmental Laws;

23.3.2 obtain, maintain and ensure compliance with all requisite Environmental Approvals; and

23.3.3 implement procedures to monitor compliance with and to prevent liability under any Environmental Law,

where failure to do so has or is reasonably likely to have a Material Adverse Effect.

23.4 **Environmental Claims**

Each Borrower and each Guarantor shall promptly upon becoming aware of the same, inform the Agent in writing of:

23.4.1 any Environmental Claim against any of the Obligors or any other member of the Group which is current, pending or threatened; and

23.4.2 any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened against any of the Obligors or any other member of the Group,

where the claim, if determined against that Obligor or other member of the Group, has or is reasonably likely to have a Material Adverse Effect.

23.5 **Anti-corruption law**

23.5.1 Each Borrower and each Guarantor shall not (and shall procure that no other Obligor or other member of the Group will) directly or indirectly use the proceeds of the Loan for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other jurisdictions.

23.5.2 Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will):

(a) conduct its businesses in compliance with applicable anti-corruption laws; and

(b) maintain policies and procedures designed to promote and achieve compliance with such laws.

23.6 **Taxation**

23.6.1 Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) pay and discharge all

Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

- (a) such payment is being contested in good faith;
- (b) adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements delivered to the Agent under Clause 21.1 (*Financial statements*); and
- (c) such payment can be lawfully withheld and failure to pay those Taxes does not have or is not reasonably likely to have a Material Adverse Effect.

23.6.2 Neither any Borrower nor any Guarantor may (and no other Obligor or other member of the Group may) change its residence for Tax purposes.

23.7 **Evidence of good standing** Each Borrower will from time to time, if applicable and if requested by the Agent, provide the Agent with evidence in form and substance satisfactory to the Agent that each Obligor and each corporate shareholder of an Obligor (other than the Original Guarantor) remains in good standing.

23.8 **Pari passu ranking** Each Borrower and each Guarantor shall ensure that at all times any unsecured and unsubordinated claims of a Finance Party against it under the Finance Documents rank at least *par passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

23.9 **Negative pledge**

In this Clause 23.9 "**Quasi-Security**" means an arrangement or transaction described in Clause 23.9.2.

Except as permitted under Clause 23.9.3:

23.9.1 The Borrowers shall not create nor permit to subsist any Encumbrance over any of its assets.

23.9.2 The Borrowers shall not:

- (a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or any other member of the Group;
- (b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

23.9.3 Clauses 23.9.1 and 23.9.2 do not apply to any Encumbrance or (as the case may be) Quasi-Security, which is a Permitted Encumbrance.

23.10 **Disposals**

23.10.1 Except as permitted under Clause 23.10.2, the Borrowers shall not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.

23.10.2 Clause 23.10.1 does not apply to: (a) any sale, lease, transfer or other disposal which is a Permitted Disposal and (b) (subject to the provisions of the Security Documents) any charter of a Vessel with a duration not exceeding 24 months.

23.11 **Arm's length basis**

23.11.1 Except as permitted under Clause 23.11.2, the Borrowers shall not enter into any transaction with any person except on arm's length terms and for full market value.

23.11.2 The following transactions shall not be a **breach** of this Clause 23.11: fees, costs and expenses payable under the Relevant Documents in the amounts set out in the Relevant Documents delivered to the Agent under Clause 4.1 (*Initial conditions precedent*) or agreed by the Agent.

23.12 **Merger** The Borrowers shall not enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction.

23.13 **Change of business** The Borrowers shall not make any substantial change to the general nature of its business from that carried on at the date of this Agreement.

23.14 **No other business** No Borrower shall engage in any business other than the ownership, operation, chartering and management of the relevant Vessel.

23.15 **No acquisitions** The Borrowers shall not acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them) or incorporate a company.

23.16 **No Joint Ventures** No Borrower shall:

23.16.1 enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture; or

23.16.2 transfer any assets or lend to or guarantee or give an indemnity for or give security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing).

- 23.17 **No borrowings** No Borrower shall incur or allow to remain outstanding any Financial Indebtedness (including without limitation any loans from the Original Guarantor or any other member of the Group) (except for the Loan), unless it is subordinated to the Loan on terms acceptable to the Agent in its absolute discretion including in respect of intragroup loans, without limitation provisions prohibiting repayment if an Event of Default has occurred and is continuing.
- 23.18 **No substantial liabilities** Except in the ordinary course of business, no Borrower shall incur any liability to any third party which is in the Agent's opinion of a substantial nature.
- 23.19 **No loans or credit** None of the Borrowers shall be a creditor in respect of any Financial Indebtedness.
- 23.20 **No guarantees or indemnities** None of the Borrowers shall incur or allow to remain outstanding any guarantee in respect of any obligation of any person.
- 23.21 **No dividends** If an Event of Default has occurred or is continuing or would result from any of the actions referred to below, the Borrower shall not:
- 23.21.1 declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);
 - 23.21.2 repay or distribute any dividend or share premium reserve;
 - 23.21.3 pay any management, advisory or other fee to or to the order of any of the shareholders of the Guarantor;
 - 23.21.4 redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; or
 - 23.21.5 issue any new shares in its share capital or resolve to do so.
- 23.22 **People with significant control regime** Each Borrower and each Guarantor shall (and shall procure that each other Obligor will):
- 23.22.1 within the relevant timeframe, comply with any notice it receives pursuant to Part 21A of the Companies Act 2006 from any company incorporated in the United Kingdom whose shares are the subject of any Security Document; and
 - 23.22.2 promptly provide the Security Agent with a copy of that notice.
- 23.23 **No change in Relevant Documents** Neither any Borrower nor any Guarantor shall (and the Borrowers shall procure that no other Obligor will) amend, vary, novate, supplement, supersede, waive or terminate any term of, any of the Relevant Documents which are not Finance Documents, or any other document delivered to the Agent pursuant to Clause 4.1 (*Initial conditions precedent*) or Clause 4.2 (*Further conditions precedent*) or Clause 4.3 (*Conditions subsequent*).

23.24

Further assurance

23.24.1 Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may reasonably require in favour of the Security Agent or its nominee(s)):

- (a) to perfect any Encumbrance created or intended to be created under or evidenced by the Security Documents (which may include the execution of a mortgage, charge, assignment or other Encumbrance over all or any of the assets which are, or are intended to be, the subject of the Security Documents) or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law;
- (b) to confer on the Security Agent or confer on the Finance Parties an Encumbrance over any property and assets of that Borrower (or that other Obligor or that other member of the Group as the case may be) located in any jurisdiction equivalent or similar to the Encumbrance intended to be conferred by or pursuant to the Security Documents; and/or
- (c) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Security Documents.

23.24.2 Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Encumbrance conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

23.25

Inventory of Hazardous Materials Each Borrower shall ensure that each Vessel owned by it carries an IHM from the relevant approved classification society on or before the earlier of (i) the date such IHM becomes mandatory pursuant to any applicable law or regulation, and (ii) the 2nd anniversary of the signing of this agreement.

23.26

Recycling Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) confirm that as long as it is in a lending relationship with ABN AMRO Bank N.V., it will ensure that any ship controlled by it or sold to an intermediary with the intention of being scrapped, is recycled at a recycling yard which conducts its recycling business in a socially and environmentally responsible manner, in accordance with the provisions of The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 and/or EU Ship Recycling Regulation.

23.27

Sanctions

- 23.27.1 Each Obligor shall (and each Borrower shall procure that each member of the Group will) comply with all Sanctions.
- 23.27.2 None of the Borrowers or the Guarantors shall (and the Borrowers shall procure that no Obligor and no member of the Group will) become a Restricted Party or act on behalf of, or as an agent of, a Restricted Party, to the extent this would lead to non-compliance by it or any other Party with any applicable Sanctions.
- 23.27.3 None of the Borrowers or the Guarantors shall (and the Borrowers shall procure that no Obligor and no member of the Group will) use, lend, contribute or otherwise make available the proceeds of any Loan or other transaction contemplated by this Agreement directly or indirectly for the purpose of financing any trade, business or other activities with any Restricted Party, to the extent, in each case, such use, lending, contributing or otherwise making available.
- 23.27.4 The proceeds would lead to non-compliance by it or any other Party with any applicable Sanctions.
- 23.27.5 None of the Borrowers or the Guarantors shall (and the Borrowers shall procure that no Obligor and no member of the Group will) use any revenue or benefit derived from any activity or dealing with a Restricted Party in discharging any obligation due or owing to the Finance Parties to the extent such use would lead to non-compliance by it or any other Party with any applicable Sanctions.
- 23.27.6 The Borrowers and the Guarantor shall (and each Borrower shall procure that each other Obligor or member of the Group will) procure that no proceeds from any activity or dealing with a Restricted Party are credited to any bank account held with any Finance Party or any Affiliate of a Finance Party, to the extent crediting such bank account would lead to non-compliance by it, any Finance Party or any Affiliate of a Finance Party with any applicable Sanctions.
- 23.27.7 None of the Borrowers or the Guarantors shall (and the Borrowers shall procure that no Obligor and no member of the Group will) to the extent permitted by law and promptly upon becoming aware of them, supply to the Agent details of any claim, action, suit, proceedings or investigation against it with respect to Sanctions by any Sanctions Authority.
- 23.28 **Ownership** The Borrower shall procure that there is no change in the ownership of any Borrower without the prior written consent of the Agent (acting on the instructions of all the Lenders).
- 23.29 **No dealings with Master Agreement** No Borrower shall assign, novate or encumber or in any other way transfer any of its rights or obligations under the Master Agreement, nor enter into any interest rate exchange or hedging agreement with anyone other than the Swap Provider.

23.30 **Existing Facility** Promptly following the Agent's request and provided that an Event of Default is continuing, each Borrower and the Original Guarantor shall do such acts or execute such documents as may be required by the Agent to:

23.30.1 provide additional security to the obligations of the Existing Borrowers under the Existing Facility; or

23.30.2 cross collateralise and cross secure any obligations of the Borrowers and the Existing Borrowers under this Agreement and the Existing Facility.

24 Events of Default

24.1 **Events of Default** Each of the events or circumstances set out in this Clause 24.1 is an Event of Default.

24.1.1 **Non-payment** An Obligor does not pay on the due date any amount payable by it under a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

(a) its failure to pay is caused by:

(i) administrative or technical error; or

(ii) a Disruption Event; and

(b) payment is made within two Business Days of its due date.

24.1.2 **Other specific obligations**

(a) Any requirement of Clause 21.2 (*Compliance Certificate*), Clause 22 (*Financial Covenants*) and 23.27 (*Sanctions*) is not satisfied.

(b) An Obligor does not comply with any obligation in a Finance Document relating to the Insurances or with Clauses 3.1 (*Purpose*), 4.4 (*No waiver*), 7.5 (*Mandatory prepayment on sale or Total Loss*), 7.8 (*Prepayment — Change of Control*), 18.1 (*Additional security*), 21.1 (*Financial statements*), 23.21 (*No dividends*), 20.1.17 (*Anti-corruption law*), 23.2 (*Compliance with laws*), 23.5 (*Anti-corruption law*), 23.8 (*Pari passu ranking*).

24.1.3 **Other obligations**

(a) An Obligor does not comply with any provision of a Finance Document (other than those referred to in Clause 24.1.1 (*Non-payment*) and Clause 24.1.2 (*Other specific obligations*)).

(b) No Event of Default under this Clause 24.1.3 will occur if the failure to comply is capable of remedy and is remedied within fifteen Business Days of the earlier of (i) the Agent giving notice to the Borrowers and (ii) the Borrowers becoming aware of the failure to comply.

24.1.4 **Misrepresentation** Any representation or statement made or deemed to be made by an Obligor in any Finance Document or any other document

delivered by or on behalf of an Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading when made or deemed to be made.

24.1.5 **Cross default**

- (a) Any Financial Indebtedness of an Obligor or of any other member of the Group is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of an Obligor or of any other member of the Group is declared to be, or otherwise becomes, due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any Financial Indebtedness of an Obligor or of any other member of the Group is cancelled or suspended by a creditor of an Obligor or of any other member of the Group as a result of an event of default (however described).
- (d) Any creditor of an Obligor or of any other member of the Group becomes entitled to declare any Financial Indebtedness of an Obligor or of any other member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) No Event of Default will occur under this Clause 24.1.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within (a) to (d) is less than \$10,000,000 in aggregate in the case of each Guarantor or each other member of the Group (other than a Borrower) and (ii) less than \$500,000 in aggregate in the case of a Borrower (or, in each case, its equivalent in any other currency or currencies).

24.1.6 **Insolvency**

- (a) An Obligor or any other member of the Group:
 - (i) is unable or admits inability to pay its debts as they fall due;
 - (ii) is deemed to, or is declared to, be unable to pay its debts under applicable law;
 - (iii) suspends or threatens to suspend making payments on any of its debts; or
 - (iv) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

- (b) The value of the assets of an Obligor or any other member of the Group is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any Indebtedness of an Obligor or any other member of the Group. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

24.1.7 **Insolvency proceedings** Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, bankruptcy or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of an Obligor or any other member of the Group;
- (b) a composition, compromise, assignment or arrangement with any creditor of an Obligor or any other member of the Group;
- (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, trustee or other similar officer in respect of an Obligor or any other member of the Group or any of its assets; or
- (d) enforcement of any Encumbrance over any assets of an Obligor or any other member of the Group,

or any analogous procedure or step is taken in any jurisdiction.

This Clause 24.1.7 shall not apply to (i) any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement or (ii) any arrest or detention of a Vessel from which that Vessel is released within 30 days from the date of that arrest or detention.

24.1.8 **Creditors' process** Any expropriation, attachment, sequestration, distress or execution (or any analogous process in any jurisdiction) affects any asset or assets of an Obligor or any other member of the Group and is not discharged within 30 days.

24.1.9 **Unlawfulness and invalidity**

- (a) It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents or any Encumbrance created or expressed to be created or evidenced by the Security Documents ceases to be effective.
- (b) Any obligation or obligations of any Obligor under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lenders under the Finance Documents.

- (c) Any Finance Document ceases to be in full force and effect or any Encumbrance created or expressed to be created or evidenced by the Security Documents ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.
- 24.1.10 **Cessation of business** An Obligor or any other member of the Group ceases, or threatens to cease, to carry on all or a substantial part of its business except as a result of a Permitted Disposal.
- 24.1.11 **Change in ownership or control of a Borrower** There is any change in the ownership of a Borrower.
- 24.1.12 **Expropriation** The authority or ability of an Obligor or any other member of the Group to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to an Obligor or any member of the Group or any of its assets.
- 24.1.13 **Repudiation and rescission of agreements**
- (a) An Obligor rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or evidences an intention to rescind or repudiate a Finance Document.
- (b) Subject to Clause 24.1.13(c), any party to any of the Relevant Documents that is not a Finance Document rescinds or purports to rescind or repudiates or purports to repudiate that Relevant Document in whole or in part where to do so has or is, in the reasonable opinion of the Majority Lenders, likely to have a material adverse effect on the interests of the Lenders under the Finance Documents.
- (c) Any of the Management Agreements is terminated, cancelled or otherwise ceases to remain in full force and effect at any time prior to its contractual expiry date and is not immediately replaced by a similar agreement in form and substance satisfactory to the Majority Lenders.
- 24.1.14 **Conditions subsequent** Any of the conditions referred to in Clause 4.3 (*Conditions subsequent*) is not satisfied within the time reasonably required by the Agent.
- 24.1.15 **Revocation or modification of Authorisation** Any Authorisation of any governmental, judicial or other public body or authority which is now, or which at any time during the Facility Period becomes, necessary to enable any of the Obligors or any other person (except a Finance Party) to comply with any of their obligations under any Relevant Document is not obtained, is revoked, suspended, withdrawn or withheld, or is modified in a manner which the Agent considers is, or may be, prejudicial to the interests of any Finance Party, or ceases to remain in full force and effect.

- 24.1.16 **Reduction of capital** A Borrower reduces its authorised or issued or subscribed capital.
- 24.1.17 **Loss of Vessel** A Vessel suffers a Total Loss or is otherwise destroyed or abandoned, or a similar event occurs in relation to any other vessel which may from time to time be mortgaged to the Security Agent as security for the payment of all or any part of the Indebtedness, except that a Total Loss (which term shall for the purposes of the remainder of this Clause 24.1.17 include an event similar to a Total Loss in relation to any other vessel) shall not be an Event of Default if:
- (a) that Vessel or other vessel is insured in accordance with the Security Documents and a claim for Total Loss is available under the terms of the relevant insurances; and
 - (b) no insurer has refused to meet or has disputed the claim for Total Loss and it is not apparent to the Agent in its discretion that any such refusal or dispute is likely to occur; and
 - (c) payment of all insurance proceeds in respect of the Total Loss is made in full to the Security Agent within 180 days of the occurrence of the casualty giving rise to the Total Loss in question (save that, in relation to a Total Loss under part (c) of the definition of Total Loss, an Event of Default shall not occur if payment of all insurance proceeds in respect of that Total Loss is made in full to the Security Agent within 180 days after that Total Loss has occurred) or (in each such case) such longer period as the Agent may in its discretion agree.
- 24.1.18 **Challenge to registration** The registration of a Vessel or a Mortgage is contested or becomes void or voidable or liable to cancellation or termination, or the validity or priority of a Mortgage is contested.
- 24.1.19 **War** The country of registration of a Vessel becomes involved in war (whether or not declared) or civil war or is occupied by any other power and the Agent considers that, as a result, the security conferred by any of the Security Documents Is materially prejudiced.
- 24.1.20 **Master Agreement termination** A notice is given by the Swap Provider under section 6(a) of the Master Agreement, or by any person under section 6(b)(iv) of the Master Agreement, in either case designating an Early Termination Date for the purpose of the Master Agreement, or the Master Agreement is for any other reason terminated, cancelled, suspended, rescinded, revoked or otherwise ceases to remain in full force and effect.
- 24.1.21 **Notice of determination** A Guarantor gives notice to the Security Agent to determine any obligations under the relevant Guarantee.
- 24.1.22 **Litigation** Any litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency are started or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to the Relevant Documents or the transactions

contemplated in the Relevant Documents or against an Obligor or any other member of the Group or its assets which have, or has, or are, or is, reasonably likely to have a Material Adverse Effect.

24.1.23 **Material adverse change** Any event or circumstance occurs which the Majority Lenders reasonably believe has or is reasonably likely to have a Material Adverse Effect.

24.1.24 **Listing of Original Guarantor** The shares (or any part thereof) of the Original Guarantor cease to be listed on the New York Stock Exchange or Nasdaq Global Select Market, Nasdaq Global Market, Nasdaq Capital Market and any successor thereof or any other internationally recognised stock exchange acceptable to the Agent.

24.2 **Acceleration** On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders:

24.2.1 by notice to the Borrowers:

- (a) cancel the Total Commitments, at which time they shall immediately be cancelled;
- (b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loan be payable on demand, at which time it shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders; and/or

24.2.2 exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

Section 9 **Changes to Parties**

25 **Changes to the Lenders**

25.1 **Assignments and transfers by the Lenders** Subject to this Clause 25, a Lender (the "**Existing Lender**") may:

- 25.1.1 assign any of its rights; or
- 25.1.2 transfer by novation any of its rights and obligations,

under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**").

25.2 **Conditions of assignment or transfer**

25.2.1 An Existing Lender must obtain the prior written consent of the Borrowers before it may make an assignment or transfer in accordance with Clause 25.1 (*Assignments and transfers by the Lenders*) unless the assignment or transfer is:

- (a) to another Lender or an Affiliate of any Lender;
- (b) to a fund which is a Related Fund of that Existing Lender; or
- (c) made at a time when an Event of Default is continuing.

25.2.2 The consent of the Borrowers to an assignment or transfer must not be unreasonably withheld or delayed. The Borrowers will be deemed to have given their consent five Business Days after the Lender has requested it unless consent is expressly refused by the Borrowers within that time.

25.2.3 An assignment will only be effective on:

- (a) receipt by the Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties and the other Secured Parties as it would have been under if it had been an Original Lender; and
- (b) performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender *and* the New Lender.

25.2.4 A transfer will only be effective if the procedure set out in Clause 25.5 (*Procedure for transfer*) is complied with.

25.2.5 If:

- (a) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
- (b) as a result of circumstances existing at the date the assignment, transfer or change occurs, a Borrower or a Guarantor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This Clause 25.2.5 shall not apply:

- (c) in respect of an assignment or transfer made in the ordinary course of the primary syndication of the Loan; or
- (d) in relation to Clause 12.2 (*Tax gross-up*), to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with Clause 12.2.7(b)(ii) (*Tax gross-up*) if the Borrower making the payment has not made a Borrower DTTP Filing in respect of that Treaty Lender.

25.2.6 Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

25.3 **Assignment or transfer fee**

25.3.1 Subject to Clause 25.3.2, the New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of \$7,000.

25.3.2 No fee is payable pursuant to Clause 25.3.1 if:

- (a) the Agent agrees that no fee is payable; or
- (b) the assignment or transfer is made by an Existing Lender:
 - (i) to an Affiliate of that Existing Lender;
 - (ii) to a fund which is a Related Fund of that Existing Lender; or
 - (iii) in connection with primary syndication of the Loan.

25.4

Limitation of responsibility of Existing Lenders

- 25.4.1 Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (a) the legality, validity, effectiveness, adequacy or enforceability of the Relevant Documents or any other documents;
 - (b) the financial condition of any Obligor;
 - (c) the performance and observance by any Obligor or any other member of the Group of its obligations under the Relevant Documents or any other documents; or
 - (d) the accuracy of any statements (whether written or oral) made in or in connection with any of the Relevant Documents or any other document,
- and any representations or warranties implied by law are excluded.
- 25.4.2 Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
- (a) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and each other member of the Group and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any of the Relevant Documents; and
 - (b) will continue to make its own independent appraisal of the creditworthiness of each Obligor and each other member of the Group and its related entities while any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- 25.4.3 Nothing in any Finance Document obliges an Existing Lender to:
- (a) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 25; or
 - (b) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Relevant Documents or otherwise.

25.5

Procedure for transfer

- 25.5.1 Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with Clause 25.5.3 when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to

Clause 25.2.3(b), as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

25.5.2 The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.

25.5.3 Subject to Clause 25.9 (*Pro rata interest settlement*), on the Transfer Date:

- (a) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each Borrower and each Guarantor and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (being the "**Discharged Rights and Obligations**");
- (b) each Borrower and each Guarantor and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Borrower and that Guarantor and the New Lender have assumed and/or acquired the same in place of that Borrower and that Guarantor and the Existing Lender;
- (c) the Agent, the Security Agent, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Security Agent and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
- (d) the New Lender shall become a Party as a "Lender".

25.6 **Procedure for assignment**

25.6.1 Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*) an assignment may be effected in accordance with Clause 25.6.3 when the Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to Clause 25.6.2, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.

- 25.6.2 The Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied It has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.
- 25.6.3 Subject to Clause 25.9 (*Pro rata interest settlement*), on the Transfer Date:
- (a) the Existing Lender will assign absolutely to the New Lender its rights under the Finance Documents and in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents and expressed to be the subject of the assignment in the Assignment Agreement;
 - (b) the Existing Lender will be released from the obligations (the "**Relevant Obligations**") expressed to be the subject of the release in the Assignment Agreement (and any corresponding obligations by which it is bound in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents); and
 - (c) the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations.
- 25.6.4 Lenders may utilise procedures other than those set out in this Clause 25.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligor or unless in accordance with Clause 25.5 (*Procedure for transfer*), to obtain a release by that Obligor from the obligations owed to that Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*).
- 25.7 **Copy of Transfer Certificate or Assignment Agreement to Borrowers** The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrowers a copy of that Transfer Certificate or Assignment Agreement.
- 25.8 **Security over Lenders' rights** In addition to the other rights provided to Lenders under this Clause 25, each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create Encumbrances in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:
- 25.8.1 any charge, assignment or other Encumbrance to secure obligations to a federal reserve or central bank; and
 - 25.8.2 any charge, assignment or other Encumbrance granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,
- except that no such charge, assignment or Encumbrance shall:

- (a) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Encumbrance for the Lender as a party to any of the Finance Documents; or
- (b) require any payments to be made by an Obligor other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

25.9

Pro rata interest settlement

25.9.1 If the Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 25.5 (*Procedure for transfer*) or any assignment pursuant to Clause 25.6 (*Procedure for assignment*) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

- (a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date ("**Accrued Amounts**") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than six Months, on the next of the dates which falls at intervals of six Months after the first day of that Interest Period); and
- (b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
 - (I) when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender; and
 - (ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 25.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

25.9.2 In this Clause 25.9 references to "Interest Period" shall be construed to include a reference to any other period for accrual of fees.

25.9.3 An Existing Lender which retains the right to the Accrued Amounts pursuant to this Clause 25.9 but which does not have a Commitment shall be deemed not to be a Lender for the purposes of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents.

26 Changes to the Obligors

26.1 **No assignment or transfer by Obligors** No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents,

26.2 Additional Guarantors

26.2.1 Subject to compliance with the provisions of Clauses 21.6 ("*Know your customer*" checks), the Borrowers may request that any member of the Group become a Guarantor.

26.2.2 A member of the Group shall become an Additional Guarantor if:

- (a) the Borrowers and the proposed Additional Guarantor deliver to the Agent a duly completed and executed Accession Deed; and
- (b) the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*) and, if applicable, Part II of Schedule 2 (*Conditions Subsequent*) in relation to that Additional Guarantor, each in form and substance satisfactory to the Agent.

26.2.3 The Agent shall notify the Borrowers and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*) and, if applicable, Part II of Schedule 2 (*Conditions Subsequent*).

26.2.4 Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in Clause 26.2.3, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

26.3 Resignation of a Guarantor

26.3.1 The Borrowers may request that a Guarantor ceases to be a Guarantor by delivering to the Agent a Resignation Letter if all the Lenders have consented to the resignation of that Guarantor.

26.3.2 The Agent shall accept a Resignation Letter and notify the Borrowers and the Lenders of its acceptance if:

- (a) the Borrowers have confirmed that no Default is continuing or would result from the acceptance of the Resignation Letter; and
- (b) no payment is due from any Guarantor under Clause 19.1 (*Guarantee and Indemnity*).

26.4 Repetition of Representations

Delivery of an Accession Deed constitutes confirmation by the relevant member of the Group that the Repeating Representations are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

Section 10 The Finance Parties

27 Role of the Agent, the Security Agent

27.1 Appointment of the Agent

- 27.1.1 Each of the Lenders appoints the Agent to act as its agent under and in connection with the Finance Documents and each of the Lenders and the Agent appoints the Security Agent to act as its security agent for the purpose of the Security Documents.
- 27.1.2 Each of the Lenders authorises the Agent and each of the Lenders and the Agent authorises the Security Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Agent or the Security Agent (as the case may be) under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.
- 27.1.3 The Swap Provider appoints the Security Agent to act as its security agent for the purpose of the Security Documents and authorises the Security Agent to exercise the rights, powers, authorities and discretions specifically given to the Security Agent under or in connection with the Security Documents together with any other incidental rights, powers, authorities and discretions.
- 27.1.4 Except in Clause 27.13 (*Replacement of the Agent*) or where the context otherwise requires, references in this Clause 27 to the "**Agent**" shall mean the Agent and the Security Agent individually and collectively and references in this Clause 27 to the "**Finance Documents**" or to any "**Finance Document**" shall not include the Master Agreement.

27.2 Instructions

- 27.2.1. The Agent shall:
- (a) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by:
- (i) all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and
- (ii) in all other cases, the Majority Lenders; and
- (b) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with Clause 27.2.1(a).
- 27.2.2 The Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender or group of Lenders, from that Lender or group of Lenders) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or

discretion and the Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.

- 27.2.3 Save in the case of decisions stipulated to be a matter for any other Lender or group of Lenders under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.
- 27.2.4 The Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.
- 27.2.5 In the absence of instructions, the Agent may act (or refrain from acting) as it considers to be in the best interest of the Lenders.
- 27.2.6 The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document. This Clause 27.2.6 shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Finance Documents or the enforcement of the Finance Documents.

27.3 **Duties of the Agent**

- 27.3.1 The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.
- 27.3.2 Subject to Clause 27.3.3, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- 27.3.3 Without prejudice to Clause 25.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrowers*), Clause 27.3.1 shall not apply to any Transfer Certificate or any Assignment Agreement.
- 27.3.4 Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- 27.3.5 If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- 27.3.6 If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent or the Security Agent) under this Agreement it shall promptly notify the other Finance Parties.

27.3.7 The Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

27.4 **No fiduciary duties**

27.4.1 Subject to Clause 27.11 (*Trust*) which relates to the Security Agent only, nothing in any Finance Document constitutes the Agent as a trustee or fiduciary of any other person.

27.4.2 Neither the Agent shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

27.5 **Business with Obligor and the Group** The Agent may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Borrower, any other Obligor or its Affiliate and any other member of the Group.

27.6 **Rights and discretions of the Agent**

27.6.1 The Agent may:

- (a) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;
- (b) assume that:
 - (i) any instructions received by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and
 - (ii) unless it has received notice of revocation, that those instructions have not been revoked; and
 - (iii) rely on a certificate from any person:
 - (A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or
 - (B) to the effect that such person approves of any particular dealing, transaction, step, action or thing,as sufficient evidence that that is the case and, in the case of (A), may assume the truth and accuracy of that certificate.

27.6.2 The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders or security agent for the Finance Parties (as the case may be)) that:

- (a) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 24.1 (*Events of Default*));

- (b) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and
 - (c) any notice or request made by the Borrowers (other than the Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.
- 27.6.3 The Agent may engage and pay for the advice or services of any lawyers, accountants, surveyors or other experts.
- 27.6.4 Without prejudice to the generality of Clause 27.6.3 or Clause 27.6.5, the Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Agent (and so separate from any lawyers instructed by the Lenders) if the Agent in its reasonable opinion deems this to be desirable.
- 27.6.5 The Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.
- 27.6.6 The Agent may act in relation to the Finance Documents through its officers, employees and agents and the Agent shall not:
- (a) be liable for any error of judgment made by any such person; or
 - (b) be bound to supervise, or be in any way responsible for any loss incurred by reason of misconduct, omission or default on the part, of any such person,
- unless such error or such loss was directly caused by the Agent's gross negligence or wilful misconduct.
- 27.6.7 Unless a Finance Document expressly provides otherwise the Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- 27.6.8 Without prejudice to the generality of Clause 27.6.7, the Agent:
- (a) may disclose; and
 - (b) on the written request of the Borrowers or the Majority Lenders shall, as soon as reasonably practicable, disclose,
- the identity of a Defaulting Lender to the Borrowers and to the other Finance Parties.
- 27.6.9 Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent is obliged to do or omit to do anything if It would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

27.6.10 The Agent is not obliged to disclose to any Finance Party any details of the rate notified to the Agent by any Lender or the identity of any such Lender for the purpose of Clause 10.2 (*Market Disruption*).

27.6.11 Notwithstanding any provision of any Finance Document to the contrary, the Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if It has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

27.7 **Responsibility for documentation** The Agent is not responsible or liable for:

27.7.1 the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, an Obligor or any other person given in or in connection with any Relevant Document or the transactions contemplated in the Finance Documents;

27.7.2 the legality, validity, effectiveness, adequacy or enforceability of any Relevant Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Relevant Document; or

27.7.3 any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

27.8 **No duty to monitor** The Agent shall not be bound to enquire:

27.8.1 whether or not any Default has occurred;

27.8.2 as to the performance, default or any breach by any Party of its obligations under any Finance Document; or

27.8. whether any other event specified in any Finance Document has occurred.

27.9 **Exclusion of liability**

27.9.1 Without limiting Clause 27.9.2 (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Agent) the Agent shall not be liable (including, without limitation, for negligence or any other category of liability whatsoever) for:

(a) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document or any Encumbrance created or expressed to be created or evidenced by the Security Documents, unless directly caused by its gross negligence or wilful misconduct;

- (b) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document, any Encumbrance created or expressed to be created or evidenced by the Security Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or any Encumbrance created or expressed to be created or evidenced by the Security Documents;
- (c) any shortfall which arises on the enforcement or realisation of the Trust Property; or
- (d) without prejudice to the generality of Clauses 27.9.1(a), 27.9.1(b) and 27.9.1(c), any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:
 - (i) any act, event or circumstance not reasonably within its control; or
 - (ii) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

27.9.2 No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Relevant Document and any officer, employee or agent of the Agent may **rely on** this Clause subject to Clause 1.7 (*Third Party Rights*) and the provisions of **the** Third Parties Act.

27.9.3 The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as **reasonably practicable to comply with the regulations or operating** procedures of any recognised **clearing or settlement system used by the** Agent for that purpose.

27.9.4 Nothing in this Agreement shall oblige the Agent to carry out:

- (a) any "know your customer" or other checks in relation to any person;

- (b) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender or for any Affiliate of any Lender,

on behalf of any Lender and each Lender confirms to the Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent.

- 27.9.5 Without prejudice to any provision of any Finance Document excluding or limiting the Agent's liability, any liability of the Agent arising under or in connection with any Finance Document or any Encumbrance created or expressed to be created or evidenced by the Security Documents shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Agent or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Agent at any time which increase the amount of that loss. In no event shall the Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Agent has been advised of the possibility of such loss or damages.

27.10 **Lenders' indemnity to the Agent**

- 27.10.1 Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent and every Receiver and Delegate, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by any of them (otherwise than by reason of the relevant Agent's, Receiver's or Delegate's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 32.11 (*Disruption to payment systems etc.*) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent, Receiver or Delegate under, or exercising any authority conferred under, the Finance Documents (unless the relevant Agent, Receiver or Delegate has been reimbursed by an Obligor pursuant to a Finance Document).

- 27.10.2 Subject to Clause 27.10.3, the Borrowers shall immediately on demand reimburse any Lender for any payment that Lender makes to the Agent pursuant to Clause 27.10.1

- 27.10.3 Clause 27.10.2 shall not apply to the extent that the indemnity payment in respect of which the Lender claims reimbursement relates to a liability of the Agent to an Obligor.

- 27.11 **Trust** The Security Agent agrees and declares, and each of the other Finance Parties acknowledges, that, subject to the terms and conditions of this Clause 27.11, the Security Agent holds the Trust Property on trust for the Finance Parties

absolutely. Each of the other Finance Parties agrees that the obligations, rights and benefits vested in the Security Agent shall be performed and exercised in accordance with this Clause 27.11. The Security Agent shall have the benefit of all of the provisions of this Agreement benefiting it in its capacity as security agent for the Finance Parties, and all the powers and discretions conferred on trustees by the Trustee Act 1925 (to the extent not inconsistent with this Agreement). In addition:

- 27.11.1 the Security Agent and any Delegate may indemnify itself or himself out of the Trust Property against all liabilities, costs, fees, damages, charges, losses and expenses sustained or incurred by it or him in relation to the taking or holding of any of the Trust Property or in connection with the exercise or purported exercise of the rights, trusts, powers and discretions vested in the Security Agent or any Delegate by or pursuant to the Security Documents or in respect of anything else done or omitted to be done in any way relating to the Security Documents;
- 27.11.2 the other Finance Parties acknowledge that the Security Agent shall be under no obligation to insure any property nor to require any other person to insure any property and shall not be responsible for any loss which may be suffered by any person as a result of the lack or insufficiency of any insurance;
- 27.11.3 the Finance Parties agree that the perpetuity period applicable to the trusts declared by this Agreement shall be the period of 125 years from the date of this Agreement;
- 27.11.4 the Security Agent shall not be liable for any failure, omission, or defect in perfecting the security constituted or created by any Finance Document including, without limitation, any failure to register the same in accordance with the provisions of any of the documents of title of any Obligor to any of the assets thereby charged or effect or procure registration of or otherwise protect the security created by any Security Document under any registration laws in any jurisdiction and may accept without enquiry such title as any Obligor may have to any asset;
- 27.11.5 the Security Agent shall not be under any obligation to hold any title deed, Finance Document or any other documents in connection with the Finance Documents or any other documents in connection with the property charged by any Finance Document or any other such security in its own possession or to take any steps to protect or preserve the same, and may permit any Obligor to retain all such title deeds, Finance Documents and other documents in its possession; and
- 27.11.6 save as otherwise provided in the Finance Documents, all moneys which under the trusts therein contained are received by the Security Agent may be placed on deposit in the name of or under the control of the Security Agent at such bank or institution (including the Security Agent) and upon such terms as the Security Agent may think fit pending application of those moneys in accordance with Clause 28 (*Application of Proceeds*).

The provisions of Part I of the Trustee Act 2000 shall not apply to the Security Agent or the Trust Property.

Resignation of the Agent

- 27.12.1 The Agent may resign and appoint one of its Affiliates acting through an office as successor by giving notice to the other Finance Parties and the Borrowers.
- 27.12.2 Alternatively the Agent may resign by giving 30 days' notice to the other Finance Parties and the Borrowers, in which case the Majority Lenders (after consultation with the Borrowers) may appoint a successor Agent.
- 27.12.3 If the Majority Lenders have not appointed a successor Agent in accordance with Clause 27.12.2 within 20 days after notice of resignation was given, the retiring Agent (after consultation with the Borrowers) may appoint a successor Agent.
- 27.12.4 If the Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as agent and the Agent is entitled to appoint a successor Agent under Clause 27.12.3, the Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Agent to become a party to this Agreement as Agent) agree with the proposed successor Agent amendments to this Clause 27 and any other term of this Agreement dealing with the rights or obligations of the Agent consistent with then current market practice for the appointment and protection of corporate trustees together with any reasonable amendments to the agency fee payable under this Agreement which are consistent with the successor Agent's normal fee rates and those amendments will bind the Parties.
- 27.12.5 The retiring Agent shall, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents. The Borrowers shall, within three Business Days of demand, reimburse the retiring Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.
- 27.12.6 The Agent's resignation notice shall only take effect upon the appointment of a successor and (in the case of the Security Agent) the transfer of all the Trust Property to that successor.
- 27.12.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under Clause 27.12.5) but shall remain entitled to the benefit of Clause 14.3 (*Indemnity to the Agent*) and this Clause 27 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- 27.12.8 The Agent shall resign in accordance with Clause 27.12.2 (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to Clause 27.12.3) if on or after the date which is three months

before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:

- (a) the Agent fails to respond to a request under Clause 12.8 (*FATCA information*) and a Borrower or a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
- (b) the information supplied by the Agent pursuant to Clause 12.8 (*FATCA information*) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
- (c) the Agent notifies the Borrowers and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) a Borrower or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and that Borrower or that Lender, by notice to the Agent, requires it to resign.

27.13 **Replacement of the Agent**

- 27.13.1 After consultation with the Borrowers, the Majority Lenders may, by giving 30 days' notice to the Agent replace the Agent by appointing a successor Agent.
- 27.13.2 The retiring Agent shall (at the expense of the Lenders) make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its function as Agent under the Finance Documents.
- 27.13.3 The appointment of the successor Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Agent. As from this date, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under Clause 27.13.2 but shall remain entitled to the benefit of Clause 14.3 (*Indemnity to the Agent*) and this Clause 27 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date).
- 27.13.4 Any successor Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

27.14 **Confidentiality**

- 27.14.1 In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

27.14.2 If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

27.15 **Relationship with the Lenders**

27.15.1 Subject to Clause 25.9 (*Pro rata interest settlement*), the Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

- (a) entitled to or liable for any payment due under any Finance Document on that day; and
- (b) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

27.15.2 Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or dispatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 34.5 (*Electronic communication*)) electronic mail address and/or any other information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 34.2 (*Addresses*) and Clause 34.5 (*Electronic communication*) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

27.16 **Credit appraisal by the Lenders** Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Relevant Document, each Lender confirms to the Agent that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Relevant Document including but not limited to:

27.16.1 the financial condition, status and nature of each Obligor and each other member of the Group;

27.16.2 the legality, validity, effectiveness, adequacy or enforceability of any Relevant Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Relevant Document;

- 27.16.3 whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Relevant Document, the transactions contemplated by the Relevant Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of under or in connection with any Relevant Document; and
- 27.16.4 the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any Encumbrance created or expressed to be created or evidenced by the Security Documents or the existence of any Encumbrance affecting the Charged Property.
- 27.17 **Reference Banks** If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrowers) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.
- 27.18 **Agent's management time** Any amount payable to the Agent under Clause 14.3 (*Indemnity to the Agent*), Clause 14.4 (*Indemnity to the Security Agent*), Clause 16 (*Costs and expenses*) and Clause 27.10 (*Lenders' indemnity to the Agent*) shall include the cost of utilising the Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Agent may notify to the Borrowers and the Lenders, and is in addition to any fee paid or payable to the Agent under Clause 11 (*Fees*).
- 27.19 **Deduction from amounts payable by the Agent** If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.
- 27.20 **Period without role for Agent**
- (a) In this Clause 27.20, a "**Non-Agent Period**" means the period in which the Agent has no role pursuant to paragraph 27.20(b) below.
- (b) The Agent shall not have a role under this Agreement, other than entering into the Finance Documents in its capacity as Agent, and the other provisions of this Clause 27.20 shall not apply to the extent that they relate to the Agent until one of the following conditions is satisfied:
- (i) the Agent receives notice from the relevant Lender (with a copy to the Borrower) that the Lenders are not only the Original Lenders; or
- (ii) the Agent receives notice from the Original Guarantor (with a copy to the Original Lenders) requesting the Agent to commence acting in its role as agent.
- The Agent shall commence acting in its role as agent at the date of receipt of the relevant notice.

- (c) **During a Non-Agent Period:**
- (i) subject to paragraph 27.20 (c) (iii) below, all references to "the Agent" (other than in this Clause 27.20) and all references to "the Agent", or "a Party" in any Finance Document shall, where it relates to the Agent, be construed as references to "the Original Lenders";
 - (ii) all payments which are expressed to be made to, received by or made available to or by the Agent (as applicable), must be made to, received by or made available to or by the Original Lenders;
 - (iii) the reference to the "Agent" in
 - (A) Clause 27.7 (Responsibility for documentation) to and including Clause 27.9 (Exclusion of liability);
 - (B) Clause 14 (Other indemnities); and
 - (C) Clause 16 (Costs and Expenses),must at all times be construed to include the Original Lenders in respect of actions taken during the Non-Agent Period pursuant to paragraph 27.20 (c) (I) above.
- (d) Until the date the Agent commences acting in its role as agent, no agency fee or other fees will be payable to the Agent.
- (e) ABN AMRO Bank N.V. will be under no obligation to commence acting in its role as agent under this Agreement prior to having agreed with the Original Guarantor the agency fees payable to it in its capacity as Agent.
- (f) Upon the Agent commencing to act as Agent pursuant to clause 27.20 (b), the Security Agent shall carry out its role through its separate and independent division at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, PAC HQ9037.
- (g) Following the change of office referred to in clause 27.20 (f), the Borrowers shall, upon the request of the Security Agent, enter into and execute such documentation as the Security Agent may request in writing in order to reflect the change of office and to preserve the rights of the Security Agent under, and security provided by, each of the Finance Documents pursuant thereto.

28 Parallel Debt (Covenant to pay the Security Agent)

- 28.1 Notwithstanding any other provision of this Agreement, each Obligor hereby irrevocably and unconditionally undertakes to pay to the Security Agent (such undertakings together, the "**Parallel Debt**"), as creditor in its own right and not as representative of the other Finance Parties, sums equal to and in the currency of each amount payable by such Obligor to Finance Parties under each of the Finance Documents as and when that amount falls due for payment under the relevant Finance Document or would have fallen due but for any discharge resulting from

failure of another Finance Party to take appropriate steps, in insolvency proceedings affecting that Obligor, to preserve its entitlement to be paid that amount.

28.2 The Security Agent shall have its own independent right to demand payment of the amounts payable by each Obligor under the Parallel Debt, irrespective of any discharge of such Obligor's obligation to pay those amounts to the other Finance Parties resulting from failure by them to take appropriate steps, in insolvency proceedings affecting that Obligor, to preserve their entitlement to be paid those amounts.

28.3 Any amount due and payable by a Obligor under the Parallel Debt shall be decreased to the extent that the other Finance Parties have received (and are able to retain) payment in full of the corresponding amount under the other provisions of the Finance Documents and any amount due and payable by an Obligor to the other Finance Parties under those provisions shall be decreased to the extent that the Security Agent has received (and is able to retain) payment in full of the corresponding amount under the Parallel Debt.

28.4 The rights of the Finance Parties (other than the Security Agent) to receive payment of amounts payable by each Obligor under the Finance Documents are several and are separate and independent from, and without prejudice to, the rights of the Security Agent to receive payment under this Clause 28 (*Parallel Debt (Covenant to pay the Security Agent)*).

29 Application of Proceeds

29.1 **Order of application** Subject to Clause 29.2 (Prospective liabilities), all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Finance Document or in connection with the realisation or enforcement of all or any Encumbrance created or expressed to be created under the Security Documents (for the purposes of this Clause 28, the "Recoveries") shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this Clause 28), in the following order:

29.1.1 in discharging any sums owing to the Security Agent, any Receiver or any Delegate;

29.1.2 in payment of all costs and expenses incurred by the Agent or any Secured Party in connection with any realisation or enforcement of any Encumbrance created or expressed to be created under the Security Documents taken in accordance with the terms of this Agreement; and

29.1.3 in payment to the Agent for application in accordance with Clause 32.5 (*Partial payments*).

29.2 **Prospective liabilities** Following enforcement of any Encumbrance created or expressed to be created under the Security Documents the Security Agent may, in its discretion, hold any amount of the Recoveries in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the

interest being credited to the relevant account) for later application under Clause 29.1 (*Order of application*) in respect of:

29.2.1 any sum to the Security Agent, any Receiver or any Delegate; and 29.2.2 any part of the Indebtedness,

that the Security Agent reasonably considers, in each case, might become due or owing at any time in the future.

29.3 **Investment of proceeds** Prior to the application of the proceeds of the Recoveries in accordance with Clause 29.1 (*Order of application*) the Security Agent may, in its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) pending the application from time to time of those moneys in the Security Agent's discretion in accordance with the provisions of this Clause 28.

29.4 **Currency conversion**

29.4.1 For the purpose of, or pending the discharge of, any part of the Indebtedness the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at a market rate of exchange.

29.4.2 The obligations of any Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

29.5 **Permitted deductions** The Security Agent shall be entitled, in its discretion:

29.5.1 to set aside by way of reserve amounts required to meet, and to make and pay, any deductions and withholdings (on account of taxes or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement; and

29.5.2 to pay all Taxes which may be assessed against it in respect of any of the Trust Property, or as a consequence of performing its duties, or by virtue of its capacity as Security Agent under any of the Finance Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement).

29.6 **Good discharge**

29.6.1 Any payment to be made in respect of the Indebtedness by the Security Agent may be made to the Agent on behalf of the Finance Parties and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Agent.

29.6.2 The Security Agent is under no obligation to make the payments to the Agent under Clause 29.6.1 in the same currency as that in which the

obligations and liabilities owing to the relevant Finance Party are denominated.

30 Conduct of Business by the Finance Parties

No provision of this Agreement will:

- 30.1 interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- 30.2 oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- 30.3 oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

31 Sharing among the Finance Parties

31.1 **Payments to Finance Parties** If a Finance Party (a "Recovering Finance Party") receives or recovers any amount from an Obligor other than in accordance with Clause 32 (*Payment Mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

- 31.1.1 the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Agent;
- 31.1.2 the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 32 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- 31.1.3 the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the "Sharing Payment") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 32.5 (*Partial payments*).

31.2 **Redistribution of payments** The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 32.5 (*Partial payments*) towards the obligations of that Obligor to the Sharing Finance Parties.

31.3 **Recovering Finance Party's rights** On a distribution by the Agent under Clause 31.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from an Obligor, as between the relevant Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.

- 31.4 **Reversal of redistribution** If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:
- 31.4.1 each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and
- 31.4.2 as between the relevant Obligor and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.
- 31.5 **Exceptions**
- 31.5.1 This Clause 31 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.
- 31.5.2 A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
- (a) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (b) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

Section 11 Administration

32 Payment Mechanics

32.1 **Payments to the Agent** On each date on which an Obligor or a Lender is required to make a payment under a Finance Document (other than the Master Agreement), that Obligor or that Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Agent specifies.

32.2 **Distributions by the Agent** Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 32.3 (*Distributions to an Obligor*) and Clause 32.4 (*Clawback and pre-funding*) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (In the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days* notice with a bank specified by that Party in the principal financial centre of the country of that currency.

32.3 **Distributions to an Obligor** The Agent may (with the consent of an Obligor or in accordance with Clause 33 (*Set-Off*)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied,

32.4 Clawback and pre-funding

32.4.1 Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

32.4.2 Unless Clause 32.4.3 applies, if the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

32.4.3 If the Agent is willing to make available amounts for the account of a Borrower before receiving funds from the Lenders then if and to the extent that the Agent does so but it proves to be the case that it does not then receive funds from a Lender in respect of a sum which it paid to a Borrower:

- (a) the Borrower to whom that sum was made available shall on demand refund it to the Agent; and

- (b) the Lender by whom those funds should have been made available or, if that Lender fails to do so, the Borrower to whom that sum was made available, shall on demand pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding cost incurred by it as a result of paying out that sum before receiving those funds from that Lender.

32.5 **Partial payments**

32.5.1 If the Agent or the Security Agent (as applicable) receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents (other than the Master Agreement), the Agent or the Security Agent (as applicable) shall apply that payment towards the obligations of that Obligor under the Finance Documents (other than the Master Agreement) in the following order:

- (a) in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent, the Security Agent, any Receiver or any Delegate under the Finance Documents;
- (b) in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
- (c) in or towards payment pro rata of any principal due but unpaid under this Agreement; and
- (d) in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

provided that any part of the Indebtedness arising out of the Master Agreement shall be satisfied on a pari passu basis with any repayment of the principal of the Loan.

32.5.2 The Agent shall, if so directed by the Majority Lenders and the Swap Provider, vary the order set out in Clauses 32.5.1(b) to 32.5.1(d).

32.5.3 Clauses 32.5.1 and 32.5.2 will override any appropriation made by an Obligor.

32.6 **No set-off by Obligors** All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

32.7 **Business Days** Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

32.8 **Currency of account**

- 32.8.1 Subject to Clauses 32.8.2 to 32.8.5, dollars is the currency of account and payment for any sum due from an Obligor under any Finance Document.
- 32.8.2 A repayment or payment of all or part of the Loan or an Unpaid Sum shall be made in the currency in which the Loan or Unpaid Sum is denominated, pursuant to this Agreement, on its due date.
- 32.8.3 Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated, pursuant to this Agreement, when that interest accrued.
- 32.8.4 Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- 32.8.5 Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency.

32.9 **Control account** The Agent shall open and maintain on its books a control account in the names of the Borrowers showing the advance of the Loan and the computation and payment of interest and all other sums due under this Agreement. The Borrowers' obligations to repay the Loan and to pay interest and all other sums due under this Agreement shall be evidenced by the entries from time to time made in the control account opened and maintained under this Clause 32.9 and those entries will, in the absence of manifest error, be conclusive and binding.

32.10 **Change of currency**

- 32.10.1 Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (a) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrowers); and
 - (b) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- 32.10.2 If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrowers) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Market and otherwise to reflect the change in currency.

32.11 **Disruption to payment systems etc.** If either the Agent determines that a Disruption Event has occurred or the Agent is notified by the Borrowers that a Disruption Event has occurred:

- 32.11.1 the Agent may, and shall if requested to do so by the Borrowers, consult with the Borrowers with a view to agreeing with the Borrowers such changes to the operation or administration of the Loan as the Agent may deem necessary in the circumstances;
- 32.11.2 the Agent shall not be obliged to consult with the Borrowers in relation to any changes mentioned in Clause 32.11.1 if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to any such changes;
- 32.11.3 the Agent may consult with the Finance Parties in relation to any changes mentioned in Clause 32.11.1 but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- 32.11.4 any such changes agreed upon by the Agent and the Borrowers shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 38 (*Amendments and Waivers*);
- 32.11.5 the Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation, for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 32.11; and
- 32.11.6 the Agent shall notify the Finance Parties of all changes agreed pursuant to Clause 32.11.4.

33 **Set-Off**

33.1 **Set-off** A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

33.2 **Master Agreement rights** The rights conferred on the Swap Provider by this Clause 33 shall be in addition to, and without prejudice to or limitation of, the rights of netting and set off conferred on the Swap Provider by the Master Agreement.

34 **Notices**

34.1 **Communications in writing** Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

34.2 **Addresses** The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any

communication or document to be made or delivered under or in connection with the Finance Documents is:

- 34.2.1 in the case of each Borrower, that identified with its name below;
- 34.2.2 in the case of each Guarantor, that identified with its name below;
- 34.2.3 in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and
- 34.2.4 in the case of the Swap Provider, that identified with its name below; and
- 34.2.5 in the case of the Agent or the Security Agent, that identified with its name below,

or any substitute address, fax number, or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

34.3 **Delivery** Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

- 34.3.1 if by way of fax, when received in legible form; or
- 34.3.2 if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 34.2 (*Addresses*), if addressed to that department or officer.

Any communication or document to be made or delivered to the Agent or the Security Agent will be effective only when actually received by the Agent or the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's or the Security Agent's signature below (or any substitute department or officer as the Agent or the Security Agent shall specify for this purpose).

All notices from or to an Obligor (save in respect of the Master Agreement) shall be sent through the Agent.

Any communication or document which becomes effective, in accordance with this Clause 34.3, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

34.4 **Notification of address and fax number** Promptly upon changing its address or fax number, the Agent shall notify the other Parties.

34.5 **Electronic communication**

- 34.5.1 Any communication to be made between any two Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:

- (a) notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and
 - (b) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.
- 34.5.2 Any such electronic communication to be made between an Obligor and a Finance Party may only be made in that way to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication.
- 34.5.3 Any such electronic communication made between any two Parties will be effective only when actually received (or made available) in readable form and in the case of any electronic communication made by a Party to the Agent or the Security Agent only if it is addressed in such a manner as the Agent or the Security Agent shall specify for this purpose.
- 34.5.4 Any electronic communication which becomes effective, in accordance with Clause 34.5.3, after 5.00 p.m. in the place in which the Party to whom the relevant communication is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.
- 34.5.5 Any reference in a Finance Document to a communication being sent or received shall be construed to include that communication being made available in accordance with this Clause 34.5.

34.6 **Use of websites**

- 34.6.1 Each Borrower may satisfy its obligations under this Agreement to deliver any information in relation to those Lenders (the "**Website Lenders**") who accept this method of communication by posting this information onto an electronic website designated by the Borrowers and the Agent (the "**Designated Website**") if:
- (a) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;
 - (b) both the Borrowers and the Agent are aware of the address of and any relevant password specifications for the Designated Website; and
 - (c) the information is in a format previously agreed between the Borrowers and the Agent.

If any Lender (a "**Paper Form Lender**") does not agree to the delivery of information electronically then the Agent shall notify the Borrowers accordingly and each Borrower shall at its own cost supply the information to the Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event each Borrower shall at its own cost supply the Agent with at

least one copy in paper form of any information required to be provided by it.

34.6.2 The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrowers and the Agent.

34.6.3 Each Borrower shall promptly upon becoming aware of its occurrence notify the Agent if:

- (a) the Designated Website cannot be accessed due to technical failure;
- (b) the password specifications for the Designated Website change;
- (c) any new information which is required to be provided under this Agreement is posted onto the Designated Website;
- (d) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
- (e) that Borrower becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If a Borrower notifies the Agent under Clause 34.6.3(a) or Clause 34.6.3(e), all information to be provided by a Borrower under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

34.6.4 Any Website Lender may request, through the Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. Each Borrower shall at its own cost comply with any such request within ten Business Days.

34.7 **English language** Any notice given under or in connection with any Finance Document must be in English. All other documents provided under or in connection with any Finance Document must be:

34.7.1 in English; or

34.7.2 if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

35 **Calculations and Certificates**

35.1 **Accounts** In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Agent pursuant to Clause 32.9 (*Control account*) are *prima facie* evidence of the matters to which they relate.

35.2 **Certificates and determinations** Any certification or determination by the Agent of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

35.3 **Day count convention** Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Market differs, in accordance with that market practice.

36 Partial Invalidity

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

37 Remedies and Waivers

No failure to exercise, nor any delay in exercising, on the part of any Finance Party or Secured Party, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any Finance Document. No election to affirm any Finance Document on the part of any Finance Party or Secured Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

38 Amendments and Waivers

38.1 Required consents

38.1.1 Subject to Clause 38.2 (*Exceptions*) any term of the Finance Documents (other than the Master Agreement) may be amended or waived only with the consent of the Majority Lenders and the Borrowers and any such amendment or waiver will be binding on all Parties.

38.1.2 The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 38.

38.1.3 Without prejudice to the generality of Clauses 27.6.3, 27.6.4 and 27.6.5 (*Rights and discretions of the Agent*), the Agent may engage, pay for and rely on the services of lawyers in determining the consent level required for and effecting any amendment, waiver or consent under this Agreement.

38.1.4 Clause 25.9.3 (*Pro rata interest settlement*) shall apply to this Clause 38.

38.2 Exceptions

38.2.1 Subject to Clause 38.3 (*Replacement of Screen Rate*), an amendment, waiver or (in the case of a Security Document) a consent of, or in relation

to, any term of any Finance Document that has the effect of changing or which relates to:

- (a) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);
- (b) an extension to the date of payment of any amount under the Finance Documents;
- (c) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
- (d) an increase in any Commitment, an extension of the Availability Period or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably;
- (e) a change to a Borrower or a change to a Guarantor other than in accordance with Clause 26 (*Changes to the Obligors*);
- (f) any provision which expressly requires the consent of all the Lenders;
- (g) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 5.1 (*Delivery of a Utilisation Request*), Clause 7.1 (*Illegality*), Clause 7.5 (*Mandatory prepayment on sale or Total Loss*), Clause 25 (*Changes to the Lenders*), Clause 26 (*Changes to the Obligors*), this Clause 38, Clause 43 (*Governing Law*) or Clause 44.1 (*Jurisdiction of English courts*);
- (h) (other than as expressly permitted by the provisions of any Finance Document) the nature or scope of:
 - (i) any Guarantee;
 - (ii) the Charged Property; or
 - (iii) the manner in which the proceeds of enforcement of the Security Documents are distributed; or
- (i) the release of any Guarantee or of any Encumbrance created or expressed to be created or evidenced by the Security Documents unless permitted under this Agreement or any other Finance Document or relating to a sale or disposal of an asset which is the subject of any Encumbrance created or expressed to be created or evidenced by the Security Documents where such sale or disposal is expressly permitted under this Agreement or any other Finance Document;
- (j) Clause 23.27 (*Sanctions*) or anyone or more of the definitions of "Restricted Party", "Sanctions", "Sanctions Authority" and "Sanctions List";

shall not be made, or given, without the prior consent of all the Lenders.

38.2.2 An amendment or waiver which relates to the rights or obligations of the Agent, the Security Agent may not be effected without the consent of the Agent or the Security Agent.

38.3 **Replacement of Screen Rate**

38.3.1 In this Clause 38.3:

"**Relevant Nominating Body**" means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board.

"**Replacement Benchmark**" means a benchmark rate which is:

- (a) formally designated, nominated or recommended as the replacement for a Screen Rate by:
 - (i) the administrator of that Screen Rate (provided that the market or economic reality that such benchmark rate measures is the same as that measured by that Screen Rate); or
 - (ii) any Relevant Nominating Body,

and if replacements have, at the relevant time, been formally designated, nominated or recommended under both (i) and (ii), the "Replacement Benchmark" will be the replacement under (ii);

- (b) in the opinion of the Majority Lenders and the Borrowers, generally accepted in the international or any relevant domestic syndicated loan markets as the appropriate successor to that Screen Rate; or
- (c) in the opinion of the Majority Lenders and the Borrowers, an appropriate successor to a Screen Rate.

"**Screen Rate Replacement Event**" means, in relation to a Screen Rate:

- (a) the methodology, formula or other means of determining that Screen Rate has, in the opinion of the Majority Lenders, and the Borrower materially changed;
- (b)
 - (i)
 - (A) the administrator of that Screen Rate or its supervisor publicly announces that such administrator is insolvent; or
 - (B) information is published in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body which

reasonably confirms that the administrator of that Screen Rate is insolvent,

provided that, in each case, at that time, there is no successor administrator to continue to provide that Screen Rate;

- (ii) the administrator of that Screen Rate publicly announces that it has ceased or will cease, to provide that Screen Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide that Screen Rate;
- (iii) the supervisor of the administrator of that Screen Rate publicly announces that such Screen Rate has been or will be permanently or indefinitely discontinued; or
- (iv) the administrator of that Screen Rate or its supervisor announces that that Screen Rate may no longer be used; or
- (c) in the opinion of the Majority Lenders and the Borrower, that Screen Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement.

38.3.2 Subject to Clause 38.2.2 (*Exceptions*), If a Screen Rate Replacement Event has occurred in relation to a Screen Rate for a currency which can be selected for a Loan any amendment or waiver which relates to:

- (a) providing for the use of a Replacement Benchmark; and
- (b)
 - (i) aligning any provision of any Finance Document to the use of that Replacement Benchmark;
 - (ii) enabling that Replacement Benchmark to be used for the calculation of interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Benchmark to be used for the purposes of this Agreement);
 - (iii) implementing market conventions applicable to that Replacement Benchmark;
 - (iv) providing for appropriate fallback (and market disruption) provisions for that Replacement Benchmark; or
 - (v) adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Benchmark (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on

the basis of that designation, nomination or recommendation),

may be made with the consent of the Agent (acting on the instructions of the Majority Lenders) and the Borrowers.

38.4 **Excluded Commitments**

If:

38.4.1 any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within five Business Days of that request being made; or

38.4.2 any Lender which is not a Defaulting Lender fails to respond to such a request,

(unless, in either case, the Borrowers and the Agent agree to a longer time period in relation to any request):

- (a) its Commitment(s) shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and
- (b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

38.5 **Replacement of Lender**

38.5.1 If:

(a) any Lender becomes a Non-Consenting Lender (as defined in Clause 38.5.4); or

(b) a Borrower or any other Obligor becomes obliged to repay any amount in accordance with Clause 7.1 (*Illegality*) or to pay additional amounts pursuant to Clause 12.2 (*Tax gross-up*), Clause 12.3 (*Tax Indemnity*) or Clause 13.1 (*Increased costs*) to any Lender,

then the Borrowers may, on ten Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 25 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Borrowers (a "**Replacement Lender**"), which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 25 (*Changes to the Lenders*) for a purchase price in cash

payable at the time of transfer in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest (to the extent that the Agent has not given a notification under Clause 25.9 (*Pro rata interest settlement*)), Break Costs and other amounts payable in relation thereto under the Finance Documents.

38.5.2 The replacement of a Lender pursuant to this Clause 38.5 shall be subject to the following conditions:

- (a) the Borrowers shall have no right to replace the Agent or Security Agent;
- (b) neither the Agent nor the Lender shall have any obligation to the Borrowers to find a Replacement Lender;
- (c) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 15 after the date on which that Lender is deemed a Non-Consenting Lender;
- (d) in no event shall the Lender replaced under this Clause 38.5 be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents; and
- (e) the Lender shall only be obliged to transfer its rights and obligations pursuant to Clause 38.5.1 once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer.

38.5.3 A Lender shall perform the checks described in Clause 38.5.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 38.5.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks.

38.5.4 In the event that:

- (a) the Borrowers or the Agent (at the request of the Borrowers) have requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents;
- (b) the consent, waiver or amendment in question requires the approval of all the Lenders; and
- (c) Lenders whose Commitments aggregate more than 51 per cent of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 51 per cent of the Total Commitments prior to that reduction) have consented or agreed to such waiver or amendment,

then any Lender who does not and continues not to consent or agree to such waiver or amendment shall be deemed a "Non-Consenting Lender".

38.6 **Disenfranchisement of Defaulting Lenders**

38.6.1 For so long as a Defaulting Lender has any Commitment, in ascertaining:

- (a) the Majority Lenders; or
- (b) whether:
 - (i) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments; or
 - (ii) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents, that Defaulting Lender's Commitment will be reduced by the amount of its participation in the Loan it has failed to make available and, to the extent that that reduction results in that Defaulting Lender's Commitment being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of (i) and (ii).

38.6.2 For the purposes of this Clause 38.6, the Agent may assume that the following Lenders are Defaulting Lenders:

- (a) any Lender which has notified the Agent that it has become a Defaulting Lender;
- (b) any Lender in relation to which it is aware that any of the events or circumstances referred to in (a), (b) or (c) of the definition of "Defaulting Lender" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

38.7 **Replacement of a Defaulting Lender**

38.7.1 The Borrowers may, at any time a Lender has become and continues to be a Defaulting Lender, by giving ten Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 25 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Borrowers (a "**Replacement Lender**") which confirms its willingness to assume and does assume all the obligations, or all the relevant obligations, of the transferring Lender in accordance with Clause 25 (*Changes to the Lenders*) for a purchase price in cash payable at the time of transfer which is either:

- (a) in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest (to the extent that the Agent has not given a notification

under Clause 25.9 (*Pro rata interest settlement*), Break Costs and other amounts payable in relation thereto under the Finance Documents; or

- (b) in an amount agreed between that Defaulting Lender, the Replacement Lender and the Borrowers and which does not exceed the amount described in (a).

38.7.2 Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause 38.7 shall be subject to the following conditions:

- (a) the Borrowers shall have no right to replace the Agent or Security Agent;
- (b) neither the Agent nor the Defaulting Lender shall have **any** obligation to the Borrowers to find a Replacement Lender;
- (c) the transfer must take place no later than 15 days after the **notice** referred to in Clause 38.7.1;
- (d) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents; and
- (e) the Defaulting Lender shall only be obliged to transfer its rights and obligations pursuant to 38.7.1 once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer to the Replacement Lender.

38.7.3 The Defaulting Lender shall perform the checks described in Clause 38.7.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 38.7.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks.

39 Confidentiality

39.1 **Confidential Information** Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 39.2 (*Disclosure of Confidential Information*) and Clause 39.3 (*Disclosure to numbering service providers*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

39.2 **Disclosure of Confidential Information** Any Finance Party may disclose:

- 39.2.1 to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners, insurance and reinsurance providers and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this Clause 39.2.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except

that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

39.2.2 to any person:

- (a) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Agent or Security Agent and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
- (b) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
- (c) appointed by any Finance Party or by a person to whom Clause 39.2.2(a) or 39.2.2(b) applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under Clause 27.15.2 (*Relationship with the Lenders*));
- (d) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in Clause 39.2.2(a) or 39.2.2(b);
- (e) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (f) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- (g) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 25.8 (*Security over Lenders' rights*);
- (h) who is a Party; or
- (i) with the consent of the Borrowers;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

- (i) in relation to Clauses 39.2.2(a), 39.2.2(b) and 39.2.2(c), the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
- (ii) in relation to Clause 39.2.2(d), the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;
- (iii) in relation to Clauses 39.2.2(e), 39.2.2(f) and 39.2.2(g), the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

39.2.3 to any person appointed by that Finance Party or by a person to whom Clause 39.2.2(a) or 39.2.2(b) applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this Clause 39.2.3 if the service provider to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking;

39.2.4 to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Obligors and/or the Group.

39.3 **Disclosure to numbering service providers**

39.3.1 Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Loan and/or one or more Obligors the following information:

- (a) names of Obligors;
- (b) country of domicile of Obligors;
- (c) place of incorporation of Obligors;

- (d) date of this Agreement;
- (e) Clause 43 (*Governing law*);
- (f) the names of the Agent;
- (g) date of each amendment and restatement of this Agreement;
- (h) amount of Total Commitments;
- (I) currencies of the Loan;
- (j) type of Loan;
- (k) ranking of the Loan;
- (I) Termination Date;
- (m) changes to any of the information previously supplied pursuant to (a) to (I); and
- (n) such other information agreed between such Finance Party and that Obligor,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

39.3.2 The Parties acknowledge and agree that each identification number assigned to this Agreement, the Loan and/or one or more Obligor by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

39.3.3 Each Borrower represents that none of the information set out in Clauses 39.3.1(a) to 39.3.1(n) is, nor will at any time be, unpublished price-sensitive information.

39.3.4 The Agent shall notify the Borrowers and the other Finance Parties of:

- (a) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Loan and/or one or more Obligor; and
- (b) the number or, as the case may be, numbers assigned to this Agreement, the Loan and/or one or more Obligor by such numbering service provider.

39.4 **Entire agreement** This Clause 39 constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

39.5 **Inside information** Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including

securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

39.6 **Notification of disclosure** Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrowers:

39.6.1 of the circumstances of any disclosure of Confidential Information made pursuant to Clause 39.2.2(e) (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that Clause during the ordinary course of its supervisory or regulatory function; and

39.6.2 upon becoming aware that Confidential Information has been disclosed in breach of this Clause 39.

39.7 **Continuing obligations** The obligations in this Clause 39 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of 12 months from the earlier of:

39.7.1 the date on which all amounts payable by the Obligors under or in connection with the Finance Documents have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

39.7.2 the date on which such Finance Party otherwise ceases to be a Finance Party.

40 **Disclosure of Lender Details by Agent**

40.1 **Supply of Lender details to Borrowers** The Agent shall provide to the Borrowers within seven Business Days of a request by the Borrowers (but no more frequently than once per calendar month) a list (which may be in electronic form) setting out the names of the Lenders as at that Business Day, their respective Commitments, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made) of each Lender for any communication to be made or document to be delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the transmission of information by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.

40.2 **Supply of Lender details at Borrowers' direction**

40.2.1 The Agent shall, at the request of the Borrowers, disclose the identity of the Lenders and the details of the Lenders' Commitments to any:

(a) other Party or any other person if that disclosure is made to facilitate, in each case, a refinancing of the Financial Indebtedness arising under the Finance Documents or a material waiver or amendment of any term of any Finance Document; and

(b) Obligor.

- 40.2.2 Subject to Clause 40.2.3, the Borrowers shall procure that the recipient of information disclosed pursuant to Clause 40.2.1 shall keep such information confidential and shall not disclose it to anyone and shall ensure that all such information is protected with security measures and a degree of care that would apply to the recipient's own confidential information.
- 40.2.3 The recipient may disclose such information to any of its officers, directors, employees, professional advisers, auditors and partners as it shall consider appropriate if any such person is informed in writing of its confidential nature, except that there shall be no such requirement to so inform if that person is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by duties of confidentiality in relation to the information.

40.3 **Supply of Lender details to other Lenders**

- 40.3.1 If a Lender (a "**Disclosing Lender**") indicates to the Agent that the Agent may do so, the Agent shall disclose that Lender's name and Commitment to any other Lender that is, or becomes, a Disclosing Lender.
- 40.3.2 The Agent shall, if so directed by the Requisite Lenders, request each Lender to indicate to it whether it is a Disclosing Lender.

40.4 **Lender enquiry** If any Lender believes that any entity is, or may be, a Lender and:

- 40.4.1 that entity ceases to have an Investment Grade Rating; or
- 40.4.2 an Insolvency Event occurs in relation to that entity,

the Agent shall, at the request of that Lender, indicate to that Lender the extent to which that entity has a Commitment.

40.5 **Lender details definitions** In this Clause 40:

"**Investment Grade Rating**" means, in relation to an entity, a rating for its long-term unsecured and non-credit-enhanced debt obligations of **BBB-** or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or Baa3 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency.

"**Requisite Lenders**" means a Lender or Lenders whose Commitments aggregate 15 per cent (or more) of the Total Commitments (or if the, Total Commitments have been reduced to zero, aggregated 15 per cent (or more) of the Total Commitments immediately prior to that reduction).

41 Counterparts

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

42 Joint and Several Liability

42.1 **Nature of liability** The representations, warranties, covenants, obligations and undertakings of the Borrowers contained in this Agreement shall be joint and several so that each Borrower shall be jointly and severally liable with all the Borrowers for all of the same and such liability shall not in any way be discharged, impaired or otherwise affected by:

- 42.1.1 any forbearance (whether as to payment or otherwise) or any time or other indulgence granted to any other Borrower or any other Obligor under or in connection with any Finance Document;
- 42.1.2 any amendment, variation, novation or replacement of any other Finance Document;
- 42.1.3 any failure of any Finance Document to be legal valid binding and enforceable In relation to any other Borrower or any other Obligor for any reason;
- 42.1.4 the winding-up or dissolution of any other Borrower or any other Obligor;
- 42.1.5 the release (whether in whole or in part) of, or the entering into of any compromise or composition with, any other Borrower or any other Obligor; or
- 42.1.6 any other act, omission, thing or circumstance which would or might, but for this provision, operate to discharge, impair or otherwise affect such liability.

42.2 **No rights as surety** Until the Indebtedness has been unconditionally and irrevocably paid and discharged in full, each Borrower agrees that it shall not, by virtue of any payment made under this Agreement on account of the Indebtedness or by virtue of any enforcement by a Finance Party of its rights under this Agreement or by virtue of any relationship between, or transaction involving, the relevant Borrower and any other Borrower or any other Obligor:

- 42.2.1 exercise any rights of subrogation in relation to any rights, security or moneys held or received or receivable by a Finance Party or any other person; or
- 42.2.2 exercise any right of contribution from any other Borrower or any other Obligor under any Finance Document; or
- 42.2.3 exercise any right of set-off or counterclaim against any other Borrower or any other Obligor; or
- 42.2.4 receive, claim or have the benefit of any payment, distribution, security or indemnity from any other Borrower or any other Obligor; or
- 42.2.5 unless so directed by the Agent (when the relevant Borrower will prove in accordance with such directions), claim as a creditor of any other Borrower or any other Obligor in competition with any Finance Party

and each Borrower shall hold in trust for the Finance Parties and forthwith pay or transfer (as appropriate) to the Agent any such payment (including an amount equal

to any such set-off), distribution or benefit of such security, indemnity or claim in fact received by it

Section 12 Governing Law and Enforcement

43 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

44 Enforcement

44.1 Jurisdiction of English courts

44.1.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "Dispute"). Each Party agrees that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

44.1.2 Notwithstanding Clause 44.1.1, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, any Finance Party may take concurrent proceedings in any number of jurisdictions.

44.2 Service of process

44.2.1 Without prejudice to any other mode of service allowed under any relevant law, each Borrower and each Guarantor:

- (a) irrevocably appoints Ince Process Agents Limited of Aldgate Tower, 2 Lemn Street, London E18QN, England as its agent for service of process in relation to any proceedings before the English courts **in** connection with any Finance Document; and
- (b) agrees that failure by a process agent to notify that Borrower or that Guarantor (as the case may be) of the process will not invalidate the proceedings concerned.

44.2.2 If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process or terminates its appointment as agent for service of process, the relevant Borrower or relevant Guarantor (as the case may be) must immediately (and in any event within five days of such event taking place) appoint another agent on terms acceptable to the Agent. Failing this, the Agent may appoint another agent for this purpose.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Schedule 1

Part I The Original Lenders

Name of Original Lender	Commitment	Treaty Passport scheme reference number and Jurisdiction of residence (if applicable)
ABN AMR() Bank N.V.	Coolsingel 93, 3012 AE Rotterdam, The Netherlands	

Schedule 2

Part I

Initial Conditions Precedent

1 Obligors

- (a) **Constitutional documents** Copies of the constitutional documents of each Obligor together with such other evidence as the Agent may reasonably require that each Obligor is duly incorporated in its country of incorporation and remains in existence with power to enter into, and perform its obligations under, the Relevant Documents to which it is or is to become a party.
- (b) **Certificates of good standing** A certificate of good standing in respect of each Obligor (if such a certificate can be obtained).
- (c) **Board resolutions** A copy of a resolution of the board of directors of each Obligor (other than the Original Guarantor) and a copy of a resolution of the executive committee of the board of directors of the Original Guarantor:
 - (i) approving the terms of, and the transactions contemplated by, the Relevant Documents to which it is a party and resolving that it execute those Relevant Documents; and
 - (ii) authorising a specified person or persons to execute those Relevant Documents (and all documents and notices to be signed and/or dispatched under those documents) on its behalf.
- (d) **Copy passports** A copy of the passport of each person actually executing any of the Relevant Documents pursuant to the resolutions referred to in (c) and of the director and officers of each Obligor.
- (e) **Shareholder resolutions** A copy of a resolution signed by all the holders of the issued shares in each Obligor (other than the Original Guarantor), approving the terms of, and the transactions contemplated by, the Relevant Documents to which that Obligor is a party.
- (f) **Officer's certificates** An original certificate of a duly authorised officer of each Obligor:
 - (i) certifying that each copy document relating to it specified in this Part I of Schedule 2 is correct, complete and in full force and effect;
 - (ii) setting out the names of (a) the directors and officers of that Obligor and (b) the shareholders of that Obligor (other than the Original Guarantor) and the proportion of shares held by each shareholder; and
 - (iii) confirming that borrowing or guaranteeing or securing, as appropriate, the Loan would not cause any borrowing, guarantee, security or similar limit binding on that Obligor to be exceeded.

- (g) **Evidence of registration** Where such registration is required or permitted under the laws of the relevant jurisdiction, evidence that the names of the directors, officers and shareholders of each Obligor are duly registered in the companies registry or other registry in the country of incorporation of that Obligor.
- (h) **Powers of attorney** The original notarially attested and legalised power of attorney of each of the Obligors under which the Relevant Documents to which it is or is to become a party are to be executed or transactions undertaken by that Obligor.

2

Security and related documents

- (a) **Security Documents** The Guarantee, the Account Security Deed, the Share Securities and any other Credit Support Documents, together with all other documents required by any of them, including, without limitation, (i) all notices of assignment and/or charge and evidence that those notices will be duly acknowledged by the recipients and (ii) (pursuant to the Share Securities) all share certificates, certified copy share registers or registers of members, transfer forms, proxy forms letters of resignation and letters of undertaking.
- (b) **Mandates** Such duly signed forms of mandate, and/or other evidence of the opening of the Earnings Accounts, as the Security Agent may require.
- (c) **No disputes** The written confirmation of the Borrowers that there is no dispute under any of the Relevant Documents as between the parties to any such document.
- (d) **Account Holder's confirmation** The written confirmation of the Account Holder that the Earnings Accounts have been opened with the Account Holder and to its actual knowledge are free from Encumbrances other than as created by or pursuant to the Security Documents and rights of set off in favour of the Account Holder as account holder.
- (e) **Master Agreement** The Master Agreement.
- (f) **Other Relevant Documents** Copies of each of the Relevant Documents not otherwise comprised in the documents listed in this Part I of Schedule 2.

3

Legal opinions

The following legal opinions, each addressed to the Agent, or confirmation satisfactory to the Agent that such opinions will be given:

- (a) a legal opinion of Stephenson Harwood **LLP**, legal advisers to the Agent as to English law substantially in the form distributed to the Lenders prior to signing this Agreement;
- (b) a legal opinion of the following legal advisers to the Agent:
 - (i) Ince&Co as to Marshall Islands law;
 - (ii) Patton, Moreno & Asvat as to Panamanian law and

(iii) NautaDutilh N.V. as to Dutch law.

4

Other documents and evidence

- (a) **Process agent** Evidence that any process agent referred to in Clause 44.2 (Service of process) and any process agent appointed under any other Finance Document has accepted its appointment.
- (b) **Other Authorisations** A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrowers accordingly) in connection with the entry into and performance of the transactions contemplated by any Relevant Document or for the validity and enforceability of any Relevant Document.
- (c) **Financial statements** A copy of each of the Original Financial Statements.
- (d) **Fees** The Fee Letter and evidence that the fees, costs and expenses then due from the Borrowers under Clause 11 (Fees) and Clause 16 (Costs and Expenses) have been paid or will be paid by the Utilisation Date.
- (e) **"Know your customer" documents** Such documentation and other evidence as is reasonably requested by the Agent in order for the Lenders to comply with all necessary "know your customer" or similar identification procedures in relation to the transactions contemplated in the Finance Documents.
- (f) **"Know your customer" procedure** Satisfactory conclusion of the Lenders' internal "know your customer" procedures

Part II

Utilisation Conditions Precedent

1 Obligors

- (a) **Officers certificate** If required, a certificate signed by a duly authorised officer of each Obligor confirming that none of the documents and evidence delivered to the Agent pursuant to Part I of Schedule 2 has been amended, modified or revoked in any way since its delivery to the Agent.
- (b) **Certificates of good standing** A certificate of good standing in respect of each Obligor (if such a certificate can be obtained).

2 Security and related documents

- (a) **Vessel documents** Photocopies, certified as true, accurate and complete by a director or the secretary or the legal advisers of the Borrower, of:
 - (i) any charterparty or other contract of employment of each Vessel which will be in force on the Utilisation Date including, without limitation, the Charter;
 - (ii) the confirmation (by email from the master of the Vessel) for the delivery of the Vessel pursuant to the Charter (if the Charter is a time charter) or the protocol of delivery and acceptance evidencing the unconditional physical delivery of the Vessel by the Borrower to the Charterer pursuant to the Charter (if the Charter is a bareboat charter);
 - (iii) the Management Agreements;
 - (iv) each Vessel's current Safety Construction, Safety Equipment, Safety Radio and Load Line Certificates;
 - (v) evidence of each Vessel's current Certificate of Financial Responsibility issued pursuant to the United States Oil Pollution Act 1990;
 - (vi) each Vessel's current SMC;
 - (vii) each ISM Company's current DOC;
 - (viii) each Vessel's current ISSC;
 - (ix) each Vessel's current IAPPC;
 - (x) each Vessel's current Tonnage Certificate;in each case together with all addenda, amendments or supplements.
- (b) **Evidence of Borrower's title** Evidence that on the Utilisation Date (i) each Vessel will be permanently registered under the relevant flag in the ownership of the relevant Borrower and (ii) the Mortgage will be capable of being registered against that Vessel with first priority.

- (c) **Evidence of insurance** Evidence that the Vessel is insured in the manner required by the Security Documents and that letters of undertaking will be issued in the manner required by the Security Documents, together with (if required by the Agent) the written approval of the Insurances by an insurance adviser appointed by the Agent.
- (d) **Confirmation of class** A Class Certificate for hull and machinery confirming that the Vessel is classed with the highest class applicable to vessels of her type with Lloyd's Register or such other classification society which is a member of the International Association of Classification Societies as may be acceptable to the Agent free of overdue recommendations.
- (e) **Valuation** Two valuations of each Vessel addressed to the Agent from a broker acceptable to the Agent certifying the Market Value for each Vessel, acceptable to the Agent dated not earlier than thirty (30) Business Days prior to the proposed Utilisation Date.
- (f) **Security Documents** The Mortgage and the Assignments in respect of the Vessel and any other Credit Support Documents, together with all other documents required by any of them, including, without limitation, all notices of assignment and/or charge and evidence that those notices will be duly acknowledged by the recipients.
- (g) **Managers' Undertakings** The Managers' Undertakings together with notices of any assignments contained in the same and evidence that those notices will be duly acknowledged by the recipients.
- (h) **No disputes** The written confirmation of the Borrowers that there is no dispute under any of the Relevant Documents as between the parties to any such document.
- (i) **Other Relevant Documents** Copies of each of the Relevant Documents not otherwise comprised in the documents listed in this Part I of Schedule 2.

3 **Legal opinions**

The following legal opinions, each addressed to the Agent, or confirmation satisfactory to the Agent that such opinions will be given:

- (a) a legal opinion of Stephenson Harwood LLP, legal advisers to the Agent as to English law substantially in the form distributed to the Lenders prior to signing this Agreement;
- (b) a legal opinion of the following legal advisers to the Agent:
 - (i) Ince&Co as to Marshall Islands law;
 - (ii) Patton, Moreno & Asvat as to Panamanian law and
 - (iii) NautaDutilh N.V. as to Dutch law.

4 **Other documents and evidence**

- (a) **Utilisation Request** A duly completed Utilisation Request.

- (b) **Other Authorisations** A copy of any other **Authorisation** or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrowers accordingly) in connection with the entry into and performance of the transactions contemplated by any Relevant Document or for the validity and enforceability of any Relevant Document.
- (c) **Fees** The Fee Letter and evidence that the fees, costs and expenses then due from the Borrowers under Clause 11 (*Fees*) and Clause 16 (*Costs and Expenses*) have been paid or will be paid by the Utilisation Date.

Part III

Conditions Subsequent

- 1 **Evidence of Borrower's title** Certificate of ownership and encumbrance (or equivalent) issued by the Registrar of Ships (or equivalent official) of the relevant flag confirming that (a) the Vessel is permanently registered under that flag in the ownership of the Borrower, (b) the Mortgage has been registered with first priority against the Vessel and (c) there are no further Encumbrances registered against the Vessel.
- 2 **Letters of undertaking** Letters of undertaking in respect of the Insurances as required by the Security Documents together with copies of the relevant policies or cover notes or entry certificates duly endorsed with the interest of the Finance Parties.
- 3 **Acknowledgements of notices** Acknowledgements of all notices of assignment and/or charge given pursuant to any Security Documents received by the Agent pursuant to Part I of this Schedule 2.
- 4 **Legal opinions** Such of the legal opinions specified in Part I of this Schedule 2 as have not already been provided to the Agent.
- 5 **Companies Act registrations** Evidence that the prescribed particulars of any Security Documents received by the Agent pursuant to Part I of this Schedule 2 have been delivered to the relevant Registry of Companies/Corporations within the statutory time limit.
- 6 **Master's receipt** The master's receipt for the Mortgage.
- 7 **Shares Security documents** Any original documents pursuant to the Shares Security, which have not already been provided to the Agent.

Schedule 3

Utilisation Request

From: **Kaben Shipping Company Inc.
Taroa Shipping Company Inc.
Gala Properties Inc.**

To: **ABN AMRO Bank N.V.**

Dated:

Dear Sirs

Kaben Shipping Company Inc., Taroa Shipping Company Inc. and Gala Properties Inc. — \$25,000,000 Loan Agreement dated [] 2019 (the "Agreement")

1 We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2 We wish to make a Utilisation on the following terms:

Proposed Utilisation Date: [] (or, if that is not a Business Day, the next Business Day)

Currency of Utilisation: []

Amount: []

Interest Period: []

Vessel: []

3 We confirm that each condition specified in Clause 4.2 (Further conditions precedent) is satisfied on the date of this Utilisation Request.

4 The proceeds of the Utilisation should be paid as follows:

5 This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for

Kaben Shipping Company Inc.

Taroa Shipping Company Inc.

Gala Properties Inc.

Schedule 4

Form of Transfer Certificate

To: ABN AMRO Bank N.V., as Agent

From: [The Existing Lender] (the "Existing Lender") and [The New Lender] (the "New Lender")

Dated

Kaben Shipping Company Inc., Taroa Shipping Company Inc. and Gala Properties Inc. - \$25,000,000 Loan Agreement dated []2019 (the "Loan Agreement")

- 1 We refer to the Loan Agreement. This agreement (the "**Agreement**") shall take effect as a Transfer Certificate for the purposes of the Loan Agreement. Terms defined in the Loan Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.
- 2 We refer to Clause 25.5 (*Procedure for transfer*) of the Loan Agreement:
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation and in accordance with Clause 25.5 (*Procedure for transfer*) all of the Existing Lender's rights and obligations under the Loan Agreement and the other Finance Documents which rebate to that portion of the Existing Lender's Commitment(s) and participations in the Loan under the Loan Agreement as specified in the Schedule.
 - (b) The proposed Transfer Date is [
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 34.2 (*Addresses*) of the Loan Agreement are set out in the Schedule.
- 3 The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 25.4.1(c) (*Limitation of responsibility of Existing Lenders*) of the Loan Agreement.
- 4 The New Lender confirms, for the benefit of the Agent and without liability to any Obligor, that it is:
 - (a) [a Qualifying Lender other than a Treaty Lender;]
 - (b) [a Treaty Lender;]
 - (c) [not a Qualifying Lender].
- [5] [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:
 - (a) a company resident in the United Kingdom for United Kingdom tax purposes;

- (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
- (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

[5] [The New Lender confirms that it holds a passport under the HMRC DT Treaty Passport scheme (reference number []) and is tax resident in [], so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax, and requests that the Agent notify the Borrowers that it wishes that scheme to apply to the Agreement.]

[6/7] This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

[7/8] This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

[8/9] This Agreement has been entered into on the date stated at the beginning of this Agreement.

Note: The execution of this Transfer Certificate may not transfer a proportionate share of the Existing Lender's interest in any Encumbrance created or expressed to be created or evidenced by the Security Documents in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

Schedule 5

Form of Assignment Agreement

To: ABN AMRO Bank N.V. as Agent and as Security Agent and **Kaben Shipping Company Inc., Taroa Shipping Company Inc. and Gala Properties Inc.** as Borrowers, for and on behalf of each Obligor

From: [the Existing Lender] (the "**Existing Lender**") and [the New Lender] (the "**New Lender**")

Dated:

Kaben Shipping Company Inc., Taroa Shipping Company Inc. and Gala Properties Inc. — \$25,000,000 Loan Agreement dated [] 2019 (the "Loan Agreement")

- 1 We refer to the Loan Agreement. This is an Assignment Agreement. This agreement (the "**Agreement**") shall take effect as an Assignment Agreement for the purpose of the Loan Agreement. Terms defined in the Loan Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.
- 2 We refer to Clause 25.6 (Procedure for assignment) of the Loan Agreement:
 - (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Loan Agreement, the other Finance Documents and in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents which correspond to that portion of the Existing Lender's Commitment(s) and participations in the Loan under the Loan Agreement as specified in the Schedule.
 - (b) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender's Commitment(s) and participations in the Loan under the Loan Agreement specified in the Schedule.
 - (c) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b).
- 3 The proposed Transfer Date is [].
- 4 On the Transfer Date the New Lender becomes Party to the relevant Finance Documents as a Lender.
- 5 The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 34.2 (*Addresses*) of the Loan Agreement are set out in the Schedule.
- 6 The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 25.4.3 (*Limitation of responsibility of Existing Lenders*) of the Loan Agreement.

- 7 The New Lender confirms, for the benefit of the Agent and without liability to any Obligor, that it is:
- (a) [a Qualifying Lender (other than a Treaty Lender);]
 - (b) [a Treaty Lender;]
 - (c) [not a Qualifying Lender].
- 8 [The New Lender confirms that the person beneficially entitled to Interest payable to that Lender in respect of an advance under a Finance Document is either:
- (a) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
 - (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]
- 9 [The New Lender confirms that it holds a passport under the HMRC DT Treaty Passport scheme (reference number []) and is tax resident in [], so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and hereby notifies the Borrowers that it wishes that scheme to apply to the Loan Agreement.]
- [9/10] This Agreement acts as notice to the Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 25.7 (Copy of Transfer Certificate or Assignment Agreement to Borrowers), to the Borrowers (on behalf of each Obligor) of the assignment referred to in this Agreement.
- [10/11] This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.
- [11/12] This Agreement [and any non-contractual obligations arising out of or in connection with it] [is/are] governed by English law.
- [12/13] This Agreement has been entered into on the date stated at the beginning of this Agreement.

Note: The execution of this Assignment Agreement may not transfer a proportionate share of the Existing Lender's interest in any Encumbrance created or expressed to be created or evidenced by the Security Documents in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

The Schedule

Commitment/rights and obligations to be transferred by assignment, release and accession

[insert relevant details]

[Facility office address, fax number and attention details for notices and account details for payments]

[Existing Lender]

[New Lender]

By:

By:

This Agreement is accepted as an Assignment Agreement for the purposes of the Loan Agreement by the Agent and the Transfer Date is confirmed as [].

Signature of this Agreement by the Agent constitutes confirmation by the Agent of receipt of notice of the assignment referred to in this Agreement, which notice the Agent receives on behalf of each Finance Party.

ABN AMRO Bank N.V.

By:

Schedule 6

Form of Accession Deed

To: ABN AMR() Bank N.V. as Agent and as Security Agent for itself and each of the other Finance Parties

From: [Affiliate of a Borrower] [Member of the Group] and [Borrowers]

Dated:

Dear Sirs

Kaben Shipping Company Inc., Taroa Shipping Company Inc. and Gala Properties Inc. — \$25,000,000 Loan Agreement dated [] 2019 (the "Agreement")

1 We refer to the Agreement. This deed (the "**Accession Deed**") shall take effect as an Accession Deed for the purposes of the Agreement. Terms defined in the Agreement have the same meaning in paragraphs 1-3 of this Accession Deed unless given a different meaning in this Accession Deed.

2 [Affiliate of a Borrower] agrees to become an Additional Guarantor and to be bound by the terms of the Agreement and the other Finance Documents as an Additional Guarantor pursuant to Clause 26.2 (Additional Guarantors) of the Agreement. [Affiliate of a Borrower] is a company duly incorporated under the laws of [name of relevant jurisdiction] and is a limited liability company and registered number [].

3 [Affiliate of a Borrower's] administrative details for the purposes of the Agreement are as follows:

Address:

Fax No.:

Attention:

This Accession Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

This Accession Deed has been signed on behalf of the [Borrowers] and executed as a deed by [Affiliate of a Borrower] and is delivered on the date stated above.

[Affiliate of a Borrower]

[Executed as a Deed

)

By: [Affiliate of a Borrower]

)

_____ Director

_____ Director/Secretary]

or

[Executed as a Deed

By: [Affiliate of a Borrower]

_____ Signature of Director

_____ Name of Director

in the presence of

_____ Signature of witness

_____ Name of witness

_____ Address of witness

_____ Occupation of witness]

The [Borrowers]

_____ [Borrowers]

By:

Schedule 7

Form of Compliance Certificate

To: **ABN AMRO Bank N.V.**

From: **Diana Shipping Inc.**

Dated:

Dear Sirs

Kaben Shipping Company Inc., Taroa Shipping Company Inc. and Gala Properties Inc. — \$25,000,000 Loan Agreement dated [] 2019 (the "Agreement")

1 We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2 We confirm that on [●]:

Total Assets:

Market Value Adjusted Total Assets: []

Total Liabilities: []

Market Value Adjusted Net Worth: []

Market Value Adjusted Net Worth: []% of Market Value Adjusted Total Assets

Minimum Liquidity Amount: []

3 [We confirm that no Default is continuing.]

Signed:

Chief Finance Officer
Of
Diana Shipping Inc.

Signatures

The Borrowers

Kaben Shipping Company Inc.)
)
By: Margarita Veniou)/s/ Margarita Veniou
)
Address: c/o Diana Shipping Services S.A.)
Pendelis 16, 175 64 Palaio Faliro, Athens,)
Greece)
Fax no.: +30 210 9470101)
Department/Officer: Mr Andreas Michalopoulos)

Taroa Shipping Company Inc.)
)
By: Margarita Veniou)/s/ Margarita Veniou
)
Address: c/o Diana Shipping Services S.A.)
Pendelis 16, 175 64 Palaio Faliro, Athens,)
Greece)
Fax no.: +30 210 9470101)
Department/Officer: Mr Andreas Michalopoulos)

Gala Properties Inc.)
)
By: Margarita Veniou)/s/ Margarita Veniou
Address: c/o Diana Shipping Services S.A.)
Pendelis 16, 175 64 Palaio Faliro, Athens,)
Greece)
Fax no.: +30 210 9470101)
Department/Officer: Mr Andreas Michalopoulos)

The Original Guarantor

Diana Shipping Inc.)
)
By: Margarita Veniou)/s/ Margarita Veniou
)
Address: c/o Diana Shipping Services S.A.)
Pendelis 16, 175 64 Palaio Faliro, Athens,)
Greece)
Fax no.: +30 210 9470101)
Department/Officer: Mr Andreas Michalopoulos)

The Agent

ABN AMRO Bank N.V.

By: Nigel Bowen-Morris)
)
)/s/ Nigel Bowen-Morris
)
Address: Gustav Mahlerlaan 10,)
1082 PP Amsterdam, The Netherlands)
Fax no.: +31 (0) 10 401 53 23)
Department/Officer: Global Transportation and Logistics)

The Security Agent

ABN AMRO Bank N.V.

By: Nigel Bowen-Morris)
)
)/s/ Nigel Bowen-Morris
)
Address: Gustav Mahlerlaan 10,)
1082 PP Amsterdam, The Netherlands)
Fax no.: +31 (0) 10 401 53 23)
Department/Officer: Global Transportation and Logistics)

The Original Lenders

ABN AMRO Bank N.V.

By Nigel Bowen-Morris)
)
)/s/ Nigel Bowen-Morris
)
Address: Gustav Mahlerlaan 10,)
1082 PP Amsterdam, The Netherlands)
Fax no.: +31 (0) 10 401 53 23)
Department/Officer: Global Transportation and Logistics)

The Swap Provider

ABN AMRO Bank N.V.

By: Nigel Bowen-Morris)
)
)/s/ Nigel Bowen-Morris
)
Address: Gustav Mahlerlaan 10,)
1082 PP Amsterdam, The Netherlands)
Fax no.: +31 (0) 10 401 53 23)
Department/Officer: Global Transportation and Logistics)

SUBSIDIARIES AS AT DECEMBER 31, 2019

Subsidiary	Country of Incorporation
Aerik Shipping Company Inc.	Marshall Islands
Ailuk Shipping Company Inc.	Marshall Islands
Aster Shipping Company Inc.	Marshall Islands
Bikar Shipping Company Inc.	Marshall Islands
Bikini Shipping Company Inc.	Marshall Islands
Bokak Shipping Company Inc.	Marshall Islands
Ebadon Shipping Company Inc.	Marshall Islands
Erikub Shipping Company Inc.	Marshall Islands
Fayo Shipping Company Inc.	Marshall Islands
Gala Properties Inc.	Marshall Islands
Guam Shipping Company Inc.	Marshall Islands
Houk Shipping Company Inc.	Marshall Islands
Jabat Shipping Company Inc.	Marshall Islands
Jaluit Shipping Company Inc.	Marshall Islands
Jemo Shipping Company Inc.	Marshall Islands
Kaben Shipping Company Inc.	Marshall Islands
Kili Shipping Company Inc.	Marshall Islands
Knox Shipping Company Inc.	Marshall Islands
Lae Shipping Company Inc.	Marshall Islands
Lelu Shipping Company Inc.	Marshall Islands
Lib Shipping Company Inc.	Marshall Islands
Majuro Shipping Company Inc.	Marshall Islands
Makur Shipping Company Inc.	Marshall Islands
Mandaringina Inc.	Marshall Islands
Mejato Shipping Company Inc.	Marshall Islands
Namu Shipping Company Inc.	Marshall Islands
Palau Shipping Company Inc.	Marshall Islands
Pulap Shipping Company Inc.	Marshall Islands
Rairok Shipping Company Inc.	Marshall Islands
Rakaru Shipping Company Inc.	Marshall Islands
Taka Shipping Company Inc.	Marshall Islands
Taroa Shipping Company Inc.	Marshall Islands
Toku Shipping Company Inc.	Marshall Islands
Tuvalu Shipping Company Inc.	Marshall Islands
Ujae Shipping Company Inc.	Marshall Islands
Wake Shipping Company Inc.	Marshall Islands
Weno Shipping Company Inc.	Marshall Islands
Wotho Shipping Company Inc.	Marshall Islands
Buenos Aires Compania Armadora S.A.	Panama
Cerada International SA	Panama
Changame Compania Armadora S.A.	Panama
Chorrera Compania Armadora S.A.	Panama
Cypres Enterprises Corp.	Panama
Darien Compania Armadora S.A.	Panama
Diana Ship Management Inc.	Panama
Diana Shipping Services S.A.	Panama
Eaton Marine S.A.	Panama
Husky Trading, S.A.	Panama
Panama Compania Armadora S.A.	Panama
Skyvan Shipping Company S.A.	Panama
Texford Maritime S.A.	Panama
Urbina Bay Trading, S.A.	Panama
Vesta Commercial, S.A.	Panama
Marfort Navigation Company Limited	Cyprus
Silver Chandra Shipping Company Limited	Cyprus
Bulk Carriers (USA) LLC	United States (Delaware)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Semiramis Paliou, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 30, 2020

/s/ Semiramis Paliou

Semiramis Paliou

Deputy Chief Executive Officer (Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Ioannis Zafirakis, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2020

/s/ Ioannis Zafirakis

Ioannis Zafirakis

Interim Chief Financial Officer and Treasurer (Principal Financial Officer)

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

In connection with this Annual Report of Diana Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Semiramis Paliou, Deputy Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 30, 2020

/s/ Semiramis Paliou

Semiramis Paliou

Deputy Chief Executive Officer (Principal Executive Officer)

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

In connection with this Annual Report of Diana Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Ioannis Zafirakis, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 30, 2020

/s/ Ioannis Zafirakis

Ioannis Zafirakis

Interim Chief Financial Officer and Treasurer (Principal Financial Officer)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form F-3 No. 333-225964) of Diana Shipping Inc. and in the related Prospectus of our reports dated March 30, 2020, with respect to the consolidated financial statements of Diana Shipping Inc., and the effectiveness of internal control over financial reporting of Diana Shipping Inc., included in this Annual Report (Form 20-F) for the year ended December 31, 2019.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.

Athens, Greece
March 30, 2020