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

**FORM 20-F**

**(Mark One)**

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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, 2013**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from** _____to_____

**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

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)

Mr. Ioannis Zafirakis
Tel: + 30-210-9470-100, Fax: + 30-210-9470-101
E-mail: izafirakis@dianashippinginc.com
(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 | Name of each exchange on which registered |
|---|---|
| Common Stock, $0.01 par value | New York Stock Exchange |
| Preferred Stock Purchase Rights | New York Stock Exchange |
| 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares, $0.01 par value | 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, 2013, there were 82,841,370 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

## TABLE OF CONTENTS

## FORWARD-LOOKING STATEMENTS

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 us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe", "except," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect" and similar expressions 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.

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 our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, 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 Company's operating expenses, including bunker prices, crew costs, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the SEC.

# 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 table sets forth our selected consolidated financial data and other operating data. The selected consolidated financial data in the table as of December 31, 2013, 2012, 2011, 2010 and 2009 are derived from our audited consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles ("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, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | (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 | $ 164,005 | $ 220,785 | $ 255,669 | $ 275,448 | $ 239,342 |
| Other revenues | 447 | 2,447 | 1,117 | - | - |
| Voyage expenses | 8,119 | 8,274 | 10,597 | 12,392 | 11,965 |
| Vessel operating expenses | 77,211 | 66,293 | 55,375 | 52,585 | 41,369 |
| Depreciation and amortization of deferred charges | 64,741 | 62,010 | 55,278 | 53,083 | 44,686 |
| General and administrative expenses | 23,724 | 24,913 | 25,123 | 25,347 | 17,464 |
| Foreign currency gains | (690) | (1,374) | (503) | (1,598) | (478) |
| Operating income / (loss) | (8,653) | 63,116 | 110,916 | 133,639 | 124,336 |
| Interest and finance costs | (8,140) | (7,618) | (4,924) | (5,213) | (3,284) |
| Interest and other income | 1,800 | 1,432 | 1,033 | 920 | 951 |

| | As of and for the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | (in thousands of U.S. dollars, except for share and per share data, fleet data and average daily results) | | | | |
| Loss from derivative instruments | (118) | (518) | (737) | (1,477) | (505) |
| Income / (loss) from investment in Diana Containerships Inc. | (6,094) | (1,773) | 1,207 | - | - |
| Net income / (loss) | $ (21,205) | $ 54,639 | $ 107,495 | $ 127,869 | $ 121,498 |
| Loss assumed by non controlling interests | $ - | $ - | $ 2 | $ 910 | $ - |
| Net income / (loss) attributed to Diana Shipping Inc. | $ (21,205) | $ 54,639 | $ 107,497 | $ 128,779 | $ 121,498 |
| Earnings / (loss) per common share, basic | $ (0.26) | $ 0.67 | $ 1.33 | $ 1.60 | $ 1.55 |
| Earnings / (loss) per common share, diluted | $ (0.26) | $ 0.67 | $ 1.33 | $ 1.59 | $ 1.55 |
| Weighted average number of common shares, basic | 81,328,390 | 81,083,485 | 81,081,774 | 80,682,770 | 78,282,775 |
| Weighted average number of common shares, diluted | 81,328,390 | 81,083,485 | 81,124,348 | 80,808,232 | 78,385,464 |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 240,633 | $ 446,624 | $ 416,674 | $ 345,414 | $ 282,438 |
| Total current assets | 251,868 | 466,986 | 432,691 | 354,649 | 297,156 |
| Vessels' net book value | 1,320,375 | 1,211,138 | 1,046,719 | 1,160,850 | 979,343 |
| Property and equipment, net | 22,826 | 22,774 | 21,659 | 21,842 | 200 |
| Total assets | 1,701,981 | 1,742,802 | 1,604,471 | 1,585,389 | 1,320,425 |
| Total current liabilities | 62,752 | 61,477 | 48,095 | 32,510 | 32,386 |
| Deferred revenue, non-current portion | - | - | - | 4,227 | 11,244 |
| Long-term debt (including current portion), net of deferred financing costs | 431,557 | 459,112 | 373,338 | 383,623 | 281,481 |
| Total stockholders' equity | 1,253,392 | 1,266,424 | 1,208,878 | 1,169,930 | 999,325 |
| **Cash Flow Data:** | | | | | |
| Net cash provided by operating activities | $ 67,400 | $ 119,886 | $ 154,230 | $ 178,292 | $ 151,903 |
| Net cash used in investing activities | (245,156) | (169,913) | (90,428) | (252,313) | (73,081) |
| Net cash provided by / (used in) financing activities | (28,235) | 79,977 | 7,458 | 136,997 | 141,583 |
| **Fleet Data:** | | | | | |
| Average number of vessels (1) | 33.0 | 27.6 | 23.6 | 22.9 | 19.2 |
| Number of vessels at year-end | 36.0 | 30.0 | 24.0 | 25.0 | 20.0 |
| Weighted average age of dry bulk vessels at year-end (in years) | 6.6 | 6.0 | 6.3 | 5.4 | 4.9 |
| Weighted average age of containerships at year-end (in years) | - | - | - | 0.6 | - |

| | As of and for the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Ownership days (2) | 12,049 | 10,119 | 8,609 | 8,348 | 7,000 |
| Available days (3) | 12,029 | 9,998 | 8,474 | 8,208 | 6,930 |
| Operating days (4) | 11,944 | 9,865 | 8,418 | 8,180 | 6,857 |
| Fleet utilization (5) | 99.3% | 98.7% | 99.3% | 99.7% | 98.9% |
| **Average Daily Results:** | | | | | |
| Time charter equivalent (TCE) rate (6) | $ 12,959 | $ 21,255 | $ 28,920 | $ 32,049 | $ 32,811 |
| Daily vessel operating expenses (7) | 6,408 | 6,551 | 6,432 | 6,299 | 5,910 |

(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 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, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | (in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars, and available days) | | | | |
| Time charter revenues | $ 164,005 | $ 220,785 | $ 255,669 | $ 275,448 | $ 239,342 |
| Less: voyage expenses | (8,119) | (8,274) | (10,597) | (12,392) | (11,965) |
| Time charter equivalent revenues | $ 155,886 | $ 212,511 | $ 245,072 | $ 263,056 | $ 227,377 |
| Available days | 12,029 | 9,998 | 8,474 | 8,208 | 6,930 |
| Time charter equivalent (TCE) rate | $ 12,959 | $ 21,255 | $ 28,920 | $ 32,049 | $ 32,811 |

(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 common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition or operating results or the trading price of our common stock.

**Industry Specific Risk Factors**

***Charter hire rates for dry bulk carriers may decrease in the future, which may adversely affect our earnings.***

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 reached near historically low 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, 24 of our vessels are scheduled to come off of their current charters in 2014, 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 and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply 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 vessel capacity include:

- supply 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 and terrorist activities; embargoes and strikes;
- natural disasters and other disruptions in international trade;
- developments in international trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- vessel casualties; and
- the number of vessels that are out of service, namely those that are laid-up, drydocked, awaiting repairs or otherwise not available for hire.

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.

Demand for our dry bulk carriers is 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. Given the large number of new dry bulk carriers currently on order with shipyards, the capacity of the global dry bulk carrier fleet seems likely to 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, 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. The BDI recorded a 25-year record low of 647 in 2012, and reached highs and lows of 2,337 and 698, respectively, in 2013. There can be no assurance that the dry bulk charter market will not decrease 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.

***A significant economic slowdown in the Asia Pacific region could exacerbate the effect of recent slowdowns in the economies of the United States and the European Union and may have a material adverse effect on our business, financial condition and earnings.***

Continued economic slowdown in the Asia Pacific region, especially in Japan and China, may exacerbate the effect on us of the recent slowdown in the rest of the world. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China's GDP decreased slightly to approximately 7.7% for the year ended December 31, 2013, as compared to approximately 7.8% for the year ended December 31, 2012, and continues to remain below pre-2008 levels. China has imposed measures to restrain lending, which may further contribute to a slowdown in its economic growth. China and other countries in the Asia Pacific region may continue to experience slowed or even negative economic growth in the future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our earnings and ability to grow our fleet would be impeded by a continuing or worsening economic downturn in any of these countries.

***A decrease in the level of China's export of goods or an increase in trade protectionism could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our earnings, financial condition and cash flows.***

Our vessels may be deployed on routes involving trade in and out of emerging markets, and our charterers' shipping and business revenue may be derived from the shipment of goods from the Asia Pacific region to various overseas export markets including the United States and Europe. Any reduction in or hindrance to the output of China-based exporters could have a material adverse effect on the growth rate of China's exports and on our charterers' business.

For instance, the government of China has recently implemented economic policies aimed at increasing domestic consumption of Chinese-made goods. This may have the effect of reducing the supply of goods available for export and may, in turn, result in a decrease of demand for container shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a "market economy" and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government.

Our operations expose us to the risk that increased trade protectionism will adversely affect our business. If the continuing global recovery is undermined by downside risks and the recent economic downturn is prolonged, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve has caused and may continue to cause an increase in: (i) the cost of goods exported from China, (ii) the length of time required to deliver goods from China and (iii) the risks associated with exporting goods from China, as well as a decrease in the quantity of goods to be shipped.

Any increased trade barriers or restrictions on trade, especially trade with China, would 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, earnings and financial condition and our ability to pay dividends to our shareholders.

***The instability of the euro or the inability of countries to refinance their debts could have a material adverse effect on our revenue, profitability and financial position.***

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism, or the ESM, which was established on September 27, 2012 to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for dry bulk cargoes and for our services. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, earnings and cash flow.

***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 been increasing due to the high level of new deliveries in the last few years. Dry bulk newbuildings were delivered in significant numbers starting at the beginning of 2006 and continued to be delivered in significant numbers through the end of 2013. 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, 24 of our vessels are scheduled to come off of their current charters in 2014, based on their earliest redelivery date, for which we may be seeking new employment.

***World events could affect our earnings and financial condition.***

Continuing conflicts and recent developments in the Middle East, including Egypt, and North Africa, and the presence of U.S. and other armed forces in the Middle East, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. 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 and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our operating results.

***Acts of piracy on ocean-going vessels have recently increased in frequency, which 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. Although the frequency of sea piracy worldwide decreased during 2012 to its lowest level since 2009, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, with dry bulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks result in regions in which our vessels are deployed being characterized as "war risk" zones by insurers, as the Gulf of Aden temporarily was in May 2008, 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.

***If economic conditions throughout the world do not improve, it will impede our earnings, financial condition and cash flows.***

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy continues to face a number of new challenges, including uncertainty related to the continuing discussions in the United States regarding the federal debt ceiling and recent turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries and continuing economic weakness in the European Union. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, shipping. We cannot predict how long the current market conditions will last. However, recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, have had a material adverse effect on our earnings, financial condition and cash flows, have caused the price of our common shares to decline and could cause the price of our common shares to decline further.

The economies of the United States, the European Union and other parts of the world continue to experience relatively slow growth or remain in recession and exhibit weak economic trends. The credit markets in the United States and Europe have experienced significant contraction, deleveraging and reduced liquidity, and 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, severely disrupted and volatile. Since 2008, lending by financial institutions worldwide remains at very low levels compared to the period preceding 2008.

***Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we could pay dividends, if declared.***

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 which could affect the amount of dividends, if any, that we may pay to our shareholders from quarter to quarter. 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 and cash available for distribution to our shareholders as dividends as long as our fleet is employed on period time charters, it could materially affect our operating results to the extent our vessels are employed in the spot market in the future.

***Fuel, or bunker prices, may adversely affect 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 our shipping operations 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 and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

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

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, European Union Regulations, the United Nation's International Maritime Organization, or IMO, International Convention for the Prevention of Pollution from Ships of 1973, or MARPOL, including designation of Emission Control Areas, or ECAs, thereunder, the IMO International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, the International Convention on Civil Liability for Bunker Oil Pollution Damage, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard and the U.S. Environmental Protection Agency, or EPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, earnings, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. Furthermore, the 2010 explosion of the *Deepwater Horizon* and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, earnings and cash flows. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, earnings, cash flows and financial condition and our ability to pay dividends.

***We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.***

The operation of our vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of the vessels that has been delivered to us is ISM Code-certified and we expect that each other vessel that we have agreed to purchase will be ISM Code-certified when delivered to us.

In addition, vessel classification societies also impose significant safety and other requirements on our vessels. In complying with current and future environmental requirements, vessel-owners and operators may also incur significant additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require us to incur significant capital expenditures on our vessels to keep them in compliance.

The operation of our vessels is also affected by other government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale prices or useful lives of our vessels. 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. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates, and financial assurances with respect to our operations.

***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 can 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.

For example, since the events of September 11, 2001, U.S. authorities have significantly increased the levels of inspection for all imported containers. Government investment in non-intrusive container scanning technology has grown, and there is interest in electronic monitoring technology, including so-called "e-seals" and "smart" containers that would enable remote, centralized monitoring of containers during shipment to identify tampering with or opening of the containers, along with potentially measuring other characteristics such as temperature, air pressure, motion, chemicals, biological agents and radiation.

It is possible that changes to inspection procedures, such as those described above, 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 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. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

***If our vessels call on ports located in countries that are subject to sanctions and embargoes imposed by the U.S. or other governments, that could adversely affect our reputation and the market for our common stock.***

From time to time on charterers' instructions, our vessels may call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the U.S. government as state sponsors of terrorism, including Cuba, Iran, Sudan and 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. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies such as ours and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, in 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years. In addition, the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) and Executive Order 13645 went into effect on July 1, 2013. Pursuant to the IFCA, as implemented by Executive Order 13645, a person is subject to sanctions for the provision of material support to Iranian Specially Designated Nationals, members of the Iranian energy, shipping and shipbuilding sectors and Iranian port operators. The foregoing also expanded existing Iran sanctions against persons or foreign financial institutions relating to, among other things, the sale and transport of Iranian petroleum, petroleum products and petrochemicals.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action" ("JPOA"). Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and E.U. would voluntarily suspend certain sanctions for a period of six months.

On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014.

Although it is our intention to comply with the provisions of the JPOA, there can be no assurance that we will be in compliance in the future as such regulations and U.S. Sanctions may be amended over time, and the U.S. retains the authority to revoke the aforementioned relief if Iran fails to meet its commitments under the JPOA.

Certain of our charterers or other parties that we have entered into contracts with may be affiliated with persons or entities that are the subject of sanctions imposed by the Obama administration, and European Union and/or other international bodies as a result of the annexation of Crimea by Russia in March 2014. If we determine that such sanctions require us to terminate existing contracts 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.

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.

***Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow.***

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which 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 attempt to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

***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.

**Company Specific Risk Factors**

***The market values of our vessels have decreased, which could limit the amount of funds that we can borrow under our credit facilities.***

The fair market value of our vessels is related to prevailing freight charter rates. While the fair market value 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 fair market values of our vessels have generally experienced high volatility, and you should expect the market value 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 and demand for vessels;
- applicable governmental regulations;
- technological advances; and
- the cost of newbuildings.

As a result of the decline in the market value of our fleet, we may not be able to obtain other financing or incur debt on terms that are acceptable to us or at all.

***A decrease in the market values of our vessels could cause us to breach covenants in our credit facilities and adversely affect our operating results.***

The market values of our vessels are at relatively low levels compared to historical averages. As at December 31, 2013, we believe we are in compliance with all of the covenants of our credit facilities. If we are not in compliance with our credit facilities or are unable to obtain waivers, our lenders could accelerate our debt and foreclose on our fleet. In addition, if the book value of a vessel is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our operating results.

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

We charter certain of our vessels pursuant to short-term time charters, although we have also entered into long-term time charters ranging in duration on commencement of the time charter from 16 months to 62 months. 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. 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 Containerships Inc. exposes us to the risks of the containership market.***

We currently have a $50 million loan facility with and own approximately 9.51% of Diana Containerships Inc., or Diana Containerships, which operates in the containership market. Through this investment, we are partially exposed to containership market risks such as the cyclicality and volatility of charterhire rates; the reduction in demand for container shipping due to the recent global economic recession; increased risk of charter counterparty risk due to financial pressure on liner companies as a result of a decline in global trade; and the risk of over-supply of containership capacity. Containership market risks may reduce the value of our investment in Diana Containerships and could adversely affect our financial condition.

***Our earnings, and the payment of dividends, may be adversely affected if we are not able to take advantage of favorable charter rates.***

We charter certain of our dry bulk carriers to customers pursuant to short-term time charters that range in duration from 9 to 14 months. However, as part of our business strategy, the majority of our vessels are currently fixed on long-term time charters ranging in duration from 16 months to 62 months. 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.

***Our board of directors decided to suspend 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 deteriorating market our board of directors, beginning with the fourth quarter of 2008, has suspended our common stock dividend. Our dividend policy will be assessed by the 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 arise in the current marketplace, such as funding our operations, acquiring vessels or servicing our debt.

Our policy, historically, 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, we may not be permitted to pay dividends under the terms of our loan agreements, 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, commencing on April 15, 2014, 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 Commission on February 13, 2014 and incorporated by reference herein.

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

Since the completion of our initial public offering in March 2005, we have increased our fleet to 37 vessels in operation, and we expect to take delivery of one newbuilding vessel in April 2014 and three newbuilding vessels in 2016. The addition of these vessels to our fleet has resulted in a significant increase in the size of our fleet and imposes significant additional responsibilities on our management and staff. While we expect our fleet to grow further, this may require us to increase the number of our personnel. We will also have to increase our customer base to provide continued employment for the new vessels.

Our 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 our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

***Because the Public Company Accounting Oversight Board is not currently permitted to inspect our independent accounting firm, you may not benefit from such inspections.***

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board (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 Commission. Certain European Union countries, including Greece, do not currently permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they are part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB is prevented from evaluating our auditor's performance of audits and its quality control procedures, and, unlike shareholders of most U.S. public companies, we and our shareholders are deprived of the possible benefits of such inspections.

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

Since February 2005 we have entered into several loan agreements to finance vessel acquisitions and the construction of newbuildings. As of December 31, 2013, we had $433.1 million outstanding under our facilities. 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 credit and loan facilities also impose operating and financial restrictions on us. These restrictions may limit our ability to, among other things:

- pay dividends or make capital expenditures 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 or capital expenditure 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 indebtedness with equity offerings 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 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.***

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 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. 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 parties or avoid their obligations under those contracts. 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 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.

***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 Chairman and Chief Executive Officer, Mr. Simeon Palios; our President, Mr. Anastasios Margaronis; our Chief Financial Officer, Mr. Andreas Michalopoulos; and our Executive Vice President, Mr. Ioannis Zafirakis. 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.

***The fiduciary duties of our officers and directors may conflict with those of the officers and directors of Diana Containerships.***

Certain of our officers and directors are officers and directors of Diana Containerships and have fiduciary duties to manage our business in a manner beneficial to us and our shareholders, as well as a duty to the shareholders of Diana Containerships. Consequently, these officers and directors may encounter situations in which their fiduciary obligations to Diana Containerships and to us are in conflict. The resolution of these conflicts may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***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;
- terrorism;
- environmental accidents;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- piracy.

These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, delay or rerouting. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. 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 steam to more distant drydocking facilities would decrease our earnings. The involvement of our vessels in an environmental disaster may also harm our reputation as a safe and reliable vessel owner and operator.

***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 cash available for dividends, if declared. 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 37 vessels in operation, having a combined carrying capacity of 4.2 million dead weight tons (dwt) and a weighted average age of 6.7 years as of March 27, 2014 and we have shipbuilding contracts for the construction of four additional vessels. 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 currently incur around half of our operating expenses and around 40% of 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 in LIBOR could affect our profitability, earnings and cash flow.***

LIBOR may be volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of disruptions in the international markets. Because the interest rates borne by our outstanding indebtedness fluctuate with changes in LIBOR, it would affect the amount of interest payable on our debt, which, in turn, could have an adverse effect on our profitability, earnings and cash flow.

***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 2013, approximately 58% of our revenues derived from four charterers. During 2012, approximately 40% of our revenues derived from three charterers. During 2011, approximately 41% of our revenues derived from three charterers. 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.

***As we expand our business, 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 as we expand the size of our fleet and our attempts to improve those systems may be ineffective. In addition, as we expand our fleet, 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 as we expand our fleet. If we or our crewing agent 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 as we 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 2013 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 2013 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.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.E "Taxation – United States Federal Income Taxation – United States Federal Income 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.

***We may be adversely affected by the introduction of new accounting rules for leasing.***

International and U.S. accounting standard-setting boards (the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB")) have issued new exposure drafts in their joint project that would require lessees to record most leases on their balance sheets as lease assets and liabilities. Entities would still classify leases, but classification would be based on different criteria and would serve a different purpose than it does today. Lease classification would determine how entities recognize lease-related revenue and expense, as well as what lessors record on the balance sheet. Classification would be based on the portion of the economic benefits of the underlying asset expected to be consumed by the lessee over the lease term. If the proposals are adopted, they would be expected generally to have the effect of bringing most off-balance sheet leases onto a lessee's balance sheet as liabilities which would also change the income and expense recognition patterns of those items. Financial statement metrics such as leverage and capital ratios, as well as EBITDA, may also be affected, even when cash flow and business activity have not changed. This may in turn affect covenant calculations under various contracts, such as loan agreements, unless the affected contracts are modified. The IASB and FASB's re-deliberations of certain topics are expected to extend through much of 2014 and an effective date has not yet been determined. Accordingly, the timing and ultimate effect of those proposals on the Company is uncertain.

**Risks Relating to Our Common Stock**

***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 price of our common stock may be volatile and may 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.

***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 United States 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 United States 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 Chairman and Chief Executive Officer, beneficially owns 15,442,013 shares, or approximately 18.5% of our outstanding common stock, the vast majority of which is held indirectly through entities over which he exercises sole voting power. Please see "Item 7.A. Major Shareholders." While Mr. Palios and the non-voting shareholders of these entities 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. 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.***

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.

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, 2013, 82,841,370 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.

***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 shareholder rights plan 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 shareholder rights plan, 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 will 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 will have available to pay dividends on our Series B Preferred Shares will depend 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 will be affected by noncash 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 in connection with our adoption of a stockholder rights plan as described under "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholder Rights Agreement" and 5,000,000 shares have been designated Series B 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.***

On or after 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 will influence the price of our Series B Preferred Shares will be 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 will be 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 will 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 redomiciled from the Republic of Liberia to 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.

**Business Development and Capital Expenditures and Divestitures**

In May 2011, we acquired Arethusa, a 73,593 dwt Panamax dry bulk carrier, built in 2007, for $30.0 million, which was delivered to us in July 2011. Part of the purchase price of the vessel was financed through the $15.0 million loan facility that our wholly owned subsidiary, Bikar Shipping Company Inc., entered into in September 2011 with Emporiki Bank of Greece S.A. which in December 2012, was transferred to Credit Agricole Corporate and Investment Bank.

In June 2011, concurrently with a public offering of Diana Containerships' common shares, we acquired 2,666,667 shares of Diana Containerships' common stock at the price of $7.50 per share, for a total amount of $20.0 million. We currently own 9.51% of Diana Containership's outstanding shares.

In November 2011, we acquired *Leto*, an 81,297 dwt Panamax dry bulk carrier, built in 2010, for $32.3 million, which was delivered to us in January 2012. The purchase price of the vessel was partly financed with the proceeds from the loan agreement with Nordea Bank Finland Plc that our wholly owned subsidiary, Jemo Shipping Company Inc., entered into in February 2012.

In December 2011, we entered into an agreement with Goldman, Sachs & Co. (the "Broker") to repurchase our stock according to Rule 10b5-1(c)(l) and to the extend applicable to Rule 10b-18 under the Securities and Exchange Act of 1934. The agreement was terminated on February 29, 2012. On June 14 and August 2, 2012, we entered into two similar agreements which were terminated on July 11 and October 15, 2012, respectively. We repurchased and retired 154,091 shares up to December 31, 2011 for an aggregate cost of $1.2 million, and an additional 853,607 shares in 2012 for an additional cost of $6.0 million.

In March 2012, we entered into, through two of our wholly owned subsidiaries, shipbuilding contracts with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd, for the construction of two 76,000 dwt ice class Panamax dry bulk carriers for the contract price of $29.0 million each. One of the vessels, the *Crystalia*, was delivered on February 20, 2014 and the other vessel to be named *Atalandi*, is expected to be delivered in the second quarter of 2014.

In June 2012, the agreement between Jemo Shipping Company Inc. and Nordea Bank Finland Plc was restated and amended by a supplemental agreement in order to include our wholly owned subsidiary, Mandaringina Inc., as a new borrower and increase the loan amount to up to $26.5 million for the purpose of financing part of the acquisition cost of the *Melia*.

In December 2012, our wholly-owned subsidiaries Palau Shipping Company Inc. and Guam Shipping Company Inc. entered into a new agreement with Nordea Bank Finland Plc for a term loan facility of $20.0 million, to finance part of the acquisition cost of vessels *Amphitrite* and *Polymnia*.

In 2012, we acquired the *Melia*, a 76,225 dwt Panamax dry bulk carrier, built in 2005, for $20.7 million, delivered in May 2012; the *Amphitrite*, a 98,697 dwt new built Post-Panamax dry bulk carrier, for $25.0 million, delivered in August 2012; the *Polymnia*, a 98,704 dwt new built Post-Panamax dry bulk carrier, for $24.6 million, delivered in November 2012; and we also entered into an agreement to acquire the *Myrto*, an 82,131 dwt Kamsarmax newbuilding dry bulk carrier, for $26.5 million, which was built and delivered to us in January 2013.

On February 19, 2013, we took delivery of the *Maia*, an 82,193 dwt Kamsarmax dry bulk carrier, built in 2009, which we acquired at an auction for $19.8 million.

On May 17, 2013, we entered, through two separate wholly owned subsidiaries, into two shipbuilding contracts with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd. for the construction of two Newcastlemax dry bulk vessels of approximately 208,500 dwt for a contract price of $48.7 million each. We expect to take delivery of the two vessels in 2016.

On May 20, 2013, we entered into a loan agreement with Eluk Shipping Company Inc., a subsidiary of Diana Containerships, to provide to it an unsecured loan of up to $50.0 million, the drawdown of which was completed on August 20, 2013.

On May 24, 2013, we entered into, through two separate wholly-owned subsidiaries, a term loan facility for up to $30.0 million with The Export-Import Bank of China having a majority interest and DNB Bank ASA, as agent, to partly finance, after delivery, the construction cost of our two newbuilding Ice Class Panamax dry bulk carriers, named *Crystalia* and to be named *Atalandi*.

On June 13, 2013, we took delivery of the *Baltimore*, a 2005 built Capesize dry bulk carrier of 177,243 dwt, which we acquired for $26.8 million.

On June 18, 2013, we signed, through two separate wholly-owned subsidiaries, a term loan facility for up to $18.0 million with Deutsche Bank Aktiengesellschaft Filiale Deutschlandgeschäft, and on June 20, 2013, we completed the drawdown of $18.0 million in order to partially finance the acquisition costs of the two Kamsarmax dry bulk carriers, the *Myrto* and the *Maia*, both delivered earlier in 2013. On the same date, our wholly owned subsidiary, Bikini Shipping Company Inc., entered into a supplemental agreement with Deutsche in order to amend the terms of its loan agreement dated October 9, 2009 with respect to the cross collateralization of the "New York" with "Maia" and "Myrto".

On August 8, 2013, Diana Shipping Services S.A., or DSS, our wholly-owned subsidiary, was found guilty on felony counts and on December 5, 2013 was sentenced by the United States District Court in Norfolk, Virginia to a fine of $1.1 million, of which $850,000 has been paid and the balance is due to be paid within six months of the date of the sentence, and a period of probation of three years and six months, as a result of a conviction in which DSS was held vicariously liable for the actions of the chief engineer and second assistant engineer of the *Thetis*, who were found guilty by the Court of violating several U.S. statutes and regulations in failing to properly handle waste oils, maintain required records and for obstruction of justice. In addition, the sentence includes a requirement to maintain an enhanced system subject to independent audit for managing waste oils on vessels managed by DSS.

On August 26, 2013, we took delivery of the *Artemis*, a 2006 built Panamax dry bulk carrier of 76,942 dwt, which we acquired for $20.3 million.

On October 10, 2013, we took delivery of the *Myrsini*, a 2010 built Kamsarmax dry bulk vessel of 82,117 dwt, which we acquired in a bid offer for $22.7 million.

On November 26, 2013, the charterers of the *Houston* terminated the charter earlier than the termination date determined under the terms of the charter party and redelivered the vessel. We have commenced arbitration proceedings against charterers seeking to mitigate the losses resulting from the earlier termination. This earlier termination also resulted in the full amortization of the unamortized balance of prepaid charter revenue, amounting to $5.3 million in 2013, which would otherwise be amortized to revenue over the remaining period of the charter.

On December 2, 2013, we took delivery of the *P.S. Palios*, a 2013 built Capesize dry bulk vessel of 179,134 dwt, which we acquired for $52.0 million

On January 8, 2014, we entered, through a separate wholly owned subsidiary, into a shipbuilding contract with Yangzhou Dayang Shipbuilding Co., Ltd. and Shanghai Sinopacific International Trade Co., Ltd., for the construction of a Kamsarmax dry bulk vessel of approximately 82,000 dwt for a contract price of $28.8 million. We expect to take delivery of the vessel in 2016.

On January 9, 2014, we entered into, through two separate wholly-owned subsidiaries, a term loan facility for up to $18.0 million with Commonwealth Bank of Australia to partially finance the acquisition costs of two Panamax dry bulk vessels, the *Melite* and the *Artemis*, which were delivered on January 28, 2010 and August 26, 2013, respectively, and we completed the drawdown of $18.0 million on January 13, 2014.

On February 24, 2014, we completed a public offering of 2,600,000 shares of 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares, par value $0.01 per share at $25.00 per share. We received net proceeds from the offering of $63.0 million, net of underwriting discount. We intend to use the net proceeds for general corporate purposes, including the repayment of debt and the acquisition of vessels.

Please see "Item 5.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 transporting dry bulk cargoes, including such commodities as iron ore, coal, grain and other materials along worldwide shipping routes. Currently, our operating fleet consists of 37 dry bulk carriers, of which 19 are Panamax, three are Kamsarmax, three are Post-Panamax, ten are Capesize and two are Newcastlemax vessels, having a combined carrying capacity of approximately 4.2 million dwt. In addition, we expect to take delivery of four vessels under construction, one in the second quarter of 2014 and three in 2016.

As of December 31, 2013, our fleet consisted of 36 vessels of which 18 Panamax, three Kamsarmax, three Post-Panamax, ten Capesize and two Newcastlemax vessels, having a combined carrying capacity of approximately 4.1 million dwt, and a weighted average age of 6.6 years, excluding four vessels under construction.

As of December 31, 2012, our fleet consisted of 30 vessels of which 17 Panamax, three Post-Panamax, eight Capesize and two Newcastlemax vessels, having a combined carrying capacity of approximately 3.4 million dwt, and a weighted average age of 6.0 years, excluding two vessels under construction and the *Myrto* which was delivered in January 2013.

During 2013, 2012 and 2011, we had a fleet utilization of 99.3%, 98.7% and 99.3%, respectively, our vessels achieved daily time charter equivalent rates of $12,959, $21,255 and $28,920, respectively, and we generated revenues of $164.0 million, $220.8 million and $255.7 million, respectively.

The following table presents certain information concerning the dry bulk carriers in our fleet, as of March 27, 2014.

| | Vessel<br>BUILT DWT | Sister Ships* | Gross Rate (USD Per Day) | Com** | Charterer | Delivery Date to Charterer | Redelivery Date to Owners*** | Notes |
|---|---|---|---|---|---|---|---|---|
| | **Panamax Bulk Carriers** | | | | | | | |
| 1 | DANAE<br>2001 75,106 | A | $8,250 | 5.00% | Intermare Transport GmbH, Hamburg | 10-Mar-13 | 10-Sep-14 - 10-Jan-15 | |
| 2 | DIONE<br>2001 75,172 | A | $9,700 | 5.00% | EDF Trading Limited, UK | 19-Jul-12 | 19-Jul-14 - 19-Dec-14 | |
| 3 | NIREFS<br>2001 75,311 | A | $8,000 | 5.00% | Intermare Transport GmbH, Hamburg | 29-Jan-13 | 29-Jul-14 - 29-Jan-15 | |
| 4 | ALCYON<br>2001 75,247 | A | $7,750 | 5.00% | EDF Trading Limited, UK | 21-Dec-12 | 21-Nov-14 - 21-May-15 | |
| 5 | TRITON<br>2001 75,336 | A | $11,000 | 5.00% | Bunge S.A., Geneva | 16-Dec-13 | 1-Sep-14 31-Oct-14 | |
| 6 | OCEANIS<br>2001 75,211 | A | $9,250 | 5.00% | Ultrabulk A/S, Copenhagen, Denmark | 14-Aug-12 | 20-Apr-14 - 14-Jul-14 | 1 |
| 7 | THETIS<br>2004 73,583 | B | $8,300 | 5.00% | EDF Trading Limited, UK | 1-Sep-13 | 1-Jul-15 - 1-Dec-15 | 2 |
| 8 | PROTEFS<br>2004 73,630 | B | $9,000 | 5.00% | Cargill International S.A., Geneva | 14-Sep-12 | 14-Sep-14 - 14-Feb-15 | |
| 9 | CALIPSO<br>2005 73,691 | B | $8,100 | 4.75% | Cargill International S.A., Geneva | 29-Jul-13 | 29-Apr-15 - 29-Aug-15 | |
| 10 | CLIO<br>2005 73,691 | B | $8,600 | 4.75% | Cargill International S.A., Geneva | 22-Aug-13 | 22-May-15 - 22-Aug-15 | 3 |
| 11 | NAIAS<br>2006 73,546 | B | $9,250 | 5.00% | Ultrabulk A/S, Copenhagen, Denmark | 2-Sep-12 | 28-Apr-14 - 2-Aug-14 | 1 |
| 12 | ARETHUSA<br>2007 73,593 | B | $7,300 | 5.00% | Cargill International S.A., Geneva | 22-Nov-12 | 22-May-14 - 22-Nov-14 | |
| 13 | ERATO<br>2004 74,444 | C | $6,500 | 5.00% | Cargill International S.A., Geneva | 9-Jan-13 | 9-Jul-14 - 9-Jan-15 | 4 |
| 14 | CORONIS<br>2006 74,381 | C | $10,600 | 5.00% | EDF Trading Limited, UK | 12-Mar-12 | 1-May-14 - 27-Jun-14 | 1 |
| 15 | MELITE<br>2004 76,436 | D | $7,750 | 5.00% | Cargill International S.A., Geneva | 28-Dec-12 | 1-Jul-14 - 1-Jan-15 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 16 | MELIA<br>2005 76,225 | D | $9,700 | 3.75% | Rio Tinto Shipping Pty, Ltd., Melbourne | 17-Apr-13 | 2-May-14 - 17-May-14 | 1 |
| 17 | ARTEMIS<br>2006 76,942 | | $9,375 | 3.75% | Rio Tinto Shipping Pty, Ltd., Melbourne | 26-Aug-13 | 26-Jun-15 - 26-Oct-15 | |
| 18 | LETO<br>2010 81,297 | | $12,900 | 5.00% | EDF Trading Limited, UK | 17-Jan-12 | 20-Apr-14 - 17-Nov-14 | 1 |
| 19 | CRYSTALIA<br>2014 77,525 | E | $15,800 | 5.00% | Glencore Grain B.V., Rotterdam | 21-Feb-14 | 21-Aug-15 - 21-Nov-15 | |
| | **Kamsarmax Bulk Carriers** | | | | | | | |
| 20 | MAIA<br>2009 82,193 | F | $10,900 | 5.00% | Glencore Grain B.V., Rotterdam | 27-Feb-13 | 12-Aug-14 - 27-Feb-15 | |
| 21 | MYRSINI<br>2010 82,117 | F | $15,500 | 4.75% | Clearlake Shipping Pte. Ltd., Singapore | 12-Oct-13<br>12-Feb-14 | 12-Feb-14<br>15-Feb-15 - 10-May-15 | 5 |
| 22 | MYRTO<br>2013 82,131 | F | $9,000 | 5.00% | Cargill International S.A., Geneva | 25-Jan-13 | 25-Jul-14 - 25-Jan-15 | |
| | **Post-Panamax Bulk Carriers** | | | | | | | |
| 23 | ALCMENE<br>2010 93,193 | | $7,250 | 5.00% | ADM International Sarl, Rolle, Switzerland | 22-Feb-13 | 7-Aug-14 - 22-Feb-15 | |
| 24 | AMPHITRITE<br>2012 98,697 | | $10,000 | 5.00% | Bunge S.A., Geneva | 15-Aug-12 | 31-May-14 - 30-Oct-14 | 6 |
| 25 | POLYMNIA<br>2012 98,704 | | $7,600 | 5.00% | Bunge S.A., Geneva | 16-Jan-13 | 16-Jul-14 - 16-Jan-15 | 7,8 |
| | **Capesize Bulk Carriers** | | | | | | | |
| 26 | NORFOLK<br>2002 164,218 | | $10,700 | 4.50% | Clearlake Shipping Pte. Ltd., Singapore | 16-Jan-13 | 16-Jul-14 - 16-Jan-15 | 5 |
| 27 | ALIKI<br>2005 180,235 | | $26,500 | 5.00% | Minmetals Logistics Group Co. Ltd., Beijing | 1-Mar-11 | 1-Feb-16 - 1-Apr-16 | |
| 28 | BALTIMORE<br>2005 177,243 | | $15,000 | 5.00% | RWE Supply & Trading GmbH, Essen | 8-Jul-13 | 8-Jul-16 - 8-Jan-17 | |
| 29 | SALT LAKE CITY<br>2005 171,810 | | $13,000 | 5.00% | Morgan Stanley Capital Group Inc. | 11-Aug-12 | 11-Jun-14 - 11-Dec-14 | |
| 30 | SIDERIS GS<br>2006 174,186 | G | $13,500 | 4.75% | Cargill International S.A., Geneva | 14-Mar-13 | 14-Dec-14 - 14-Jun-15 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 31 | SEMIRIO<br>2007 174,261 | G | $14,000 | 4.75% | Cargill International S.A., Geneva | 19-Mar-13 | 19-Jan-15 - 19-Jun-15 | |
| 32 | BOSTON<br>2007 177,828 | G | $14,250 | 4.75% | Clearlake Shipping Pte. Ltd., Singapore | 24-Aug-13 | 9-Aug-15 - 8-Feb-16 | 5 |
| 33 | HOUSTON<br>2009 177,729 | G | $20,500 | 4.75% | Clearlake Shipping Pte. Ltd., Singapore | 3-Dec-13 | 19-Oct-14 - 18-Feb-15 | 5 |
| 34 | NEW YORK<br>2010 177,773 | G | $48,000 | 3.75% | Nippon Yusen Kaisha, Tokyo (NYK) | 3-Mar-10 | 3-Jan-15 - 3-May-15 | |
| 35 | P. S. PALIOS<br>2013 179,134 | | $18,350 | 5.00% | RWE Supply & Trading GmbH, Essen | 3-Dec-13 | 18-Sep-15 - 31-Dec-15 | |
| | **Newcastlemax Bulk Carriers** | | | | | | | |
| 36 | LOS ANGELES<br>2012 206,104 | H | $18,000 | 5.00% | EDF Trading Limited, UK | 9-Feb-12 | 9-Dec-15 - 9-Apr-16 | |
| 37 | PHILADELPHIA<br>2012 206,040 | H | $18,000 | 5.00% | EDF Trading Limited, UK | 17-May-12 | 17-Jan-16 - 17-Jul-16 | |
| | **Vessels Under Construction** | | | | | | | |
| 38 | HULL H2529<br>(tbn ATALANDI)<br>2014 76,000 | E | - | - | - | - | - - - | 9 |
| 39 | HULL DY6006<br>2016 82,000 | | - | - | - | - | - - - | 10 |
| 40 | HULL H2548<br>2016 208,500 | I | - | - | - | - | - - - | 10 |
| 41 | HULL H2549<br>2016 208,500 | I | - | - | - | - | - - - | 10 |

* 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.

*** Charterers' optional period to redeliver the vessel to owners. Charterers have the right to add the off hire days, if any, and therefore the optional period may be extended.

1 Based on latest information.

2 Vessel off-hire for unscheduled maintenance from February 12, 2014 to March 7, 2014.

3 Vessel off-hire for drydocking from December 12, 2013 to January 2, 2014.

4 Vessel off-hire for unscheduled maintenance from February 14, 2014 to February 23, 2014.

5 Clearlake Shipping Pte. Ltd., Singapore is a member of the Gunvor Group.

6 The charterer has the option to employ the vessel for a further 11 to 14 month period at a gross charter rate of US$11,300 per day. The optional period, if exercised, must be declared on or before the end of the 21st month of employment and will only commence at the end of the 24th month.

7 The charterer has the option to further employ the vessel for about 11 to a maximum 13 months at a gross charter rate of US$11,000 per day. The optional period, if exercised, must be declared on or before the 22nd month of employment and will only commence at the end of the 24th month.

8 Prior to October 12, 2013, chartered to Augustea Bunge Maritime Limited, Malta.

9 Based on latest information received by the yard.

10 Year of delivery and dwt are based on shipbuilding contract.

Each of our vessels is owned through a separate wholly-owned subsidiary.

**Management of Our Fleet**

The business of Diana Shipping Inc. is the ownership of dry bulk vessels. The parent holding company wholly owns, directly or indirectly, 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 providing 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, or our fleet manager. In exchange for providing us with commercial and technical services, personnel and office space, we pay our fleet manager a commission that is equal to 2% of our revenues, a fixed management fee of $15,000 per month for each vessel in operation and a fixed monthly fee of $7,500 for vessels under construction and for laid up vessels. The administrative services of Diana Shipping Inc and its subsidiaries are also carried out by DSS. On October 1, 2013, Diana Shipping Inc., entered into an agreement with DSS for the provision of administrative services for a fixed monthly fee of $10,000. Such services may include budgeting, reporting, monitoring of bank accounts, compliance with banks, payroll services and any other possible service that Diana Shipping Inc. or its subsidiaries would require to perform their operations. The amounts deriving from these agreements with DSS are considered inter-company transactions and, therefore, are eliminated from our consolidated financial statements.

Until March 1, 2013, DSS also provided to Diana Containerships commercial, technical, accounting, administrative, financial reporting and other services necessary for the operation of its business, pursuant to an Administrative Services Agreement and Vessel Management Agreements. DSS received a monthly fee of $10,000 for administrative services; a commission of 1% of the gross hire earned by the vessels and a technical management fee of $15,000 per vessel per month for each vessel in operation. For 2010 and until January 18, 2011, such fees received by DSS, relating to the management services offered to Diana Containerships, were eliminated from our consolidated financial statements as intercompany transactions. Effective January 19, 2011, after the partial spin-off of Diana Containerships, they were recorded as other revenues.

Pursuant to the Broker Services Agreement, dated June 1, 2010, DSS appointed Diana Enterprises, a related party controlled by our Chief Executive Officer and Chairman, Mr. Simeon Palios, as broker to assist it in providing services to us for an annual fee of $1.7 million and Diana Containerships for an annual fee of $1.04 million per year. In February 2012, the agreement between DSS and Diana Enterprises was terminated and replaced by a new agreement for the provision of brokerage services, for an increased commission of $2.4 million per year, paid quarterly at the beginning of each quarter and with a retroactive effect from January 1, 2012. On March 15, 2013, the agreement between DSS and Diana Enterprises was terminated and replaced by a new agreement providing for a monthly fee of $0.2 million payable quarterly at the beginning of each quarter and with a retroactive effect from March 1, 2013. On March 4, 2014, this agreement was terminated and replaced by an agreement having a term of fifteen months with retroactive effect from January 1, 2014 and a reduced monthly fee of $104,166, payable every quarter in advance.

Effective January 19, 2011, after the partial spin-off of Diana Containerships, fees relating to Diana Containerships did not constitute part of our expenses and on March 1, 2013 the agreement between DSS and Diana Enterprises for Diana Containerships was terminated.

**Our Customers**

Our customers include national, regional and international companies, such as Cargill International S.A., BHP Billiton, Corus UK Limited and EDF Trading Ltd. During 2013, four of our charterers accounted for 58% of our revenues; EDF Trading (19%), Cargill International S.A., (17%), Shagang Shipping Co. (11%) and Nippon Yusen Kaisha, Tokyo (11%). During 2012, three of our charterers accounted for 40% of our revenues; EDF Trading (10%), Cargill International S.A., (18%) and Corus UK Limited (12%). During 2011, three of our charterers accounted for 41% of our revenues; BHP Billiton (12%), Cargill International S.A., (18%) and Corus UK Limited (11%).

We charter our dry bulk carriers to customers primarily 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 2013, we paid commissions that have 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 the relatively stable cash flow and high utilization rates associated with long-term time charters, we have fixed the majority of our vessels on long-term time charters ranging in duration from 16 months to 62 months. Those of our vessels on short-term time charters provide us with flexibility in responding to market developments. We will continue to evaluate our balance of short- and long-term charters and may 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 (VLOC)***. Very large ore carriers 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 over the last five years has been 31 years.

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 2011 BDI ranged from a low of approximately 1,043 in February 2011 to a high of approximately 2,173 in October 2011. In 2012, the BDI ranged from a high of 1624 in January to a low of 647 in February. In 2013, the BDI ranged from a low of 698 in January to a high of 2,337 in December. On March 20, 2014, the BDI stood at 1,621.

**Vessel Prices**

As of the end of 2013, dry bulk vessel values increased as compared to the 2012. Consistent with these trends, the market value of our dry bulk carriers had also improved. However, charter rates and vessel values remain significantly below the highs reached in May to June 2008, and 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 nine 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 each have, on average, more than 28 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.

- *Internal management of vessel operations.* We conduct all of the commercial and technical management of our vessels in-house through DSS. We believe having in-house commercial and technical management provides us with a competitive advantage over many of our competitors by allowing us to more closely monitor our operations and to offer higher quality performance, reliability and efficiency in arranging charters and the maintenance of our vessels.

- *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 future acquisitions 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 (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 for the period covered by this annual report, the vessel *Amphitrite* made two port calls to Iran in 2013 for a combined length of 27 days. The vessel made a call to the port of Bandar Imam Khomeini on April 26, 2013, discharging corn and soybean meal, and remained in the port of Bandar Imam Khomeini for 17 days. The vessel made a second call to the port of Bandar Imam Khomeini on September 6, 2013, discharging corn and soybean meal, and remained in the port of Bandar Imam Khomeini for 10 days. During this time the *Amphitrite* was on time charter to Bunge S.A., Geneva at a gross rate of $10,000 per day. Our aggregate gross revenues attributable to these 27 days of port calls was approximately $0.3 million. As we do not attribute profits to specific voyages under a time charter, we have not attributed any profits to the voyages which included these port calls. Our charter party agreement for the *Amphitrite* restricts the charterer from calling in Iran in violation of U.S. sanctions, or carrying any cargo to Iran which is subject to U.S. sanctions. However, there can be no assurance that the *Amphitrite* or another of our vessels will not, from time to time in the future on charterer's instructions, perform voyages which would require disclosure pursuant to Exchange Act Section 13(r).

**Environmental and Other Regulations**

Government regulation significantly affects the ownership and operation of our vessels. 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 (such as the U.S. Coast Guard, 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 or approvals for the operation of our vessels. Failure to maintain necessary permits, licenses, certificates or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the dry bulk shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the 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 approvals necessary for the conduct of our operations as of the date of this annual report. However, because such laws and regulations are frequently changed and may impose increasingly strict 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, such as the 2010 Deepwater Horizon oil spill, that results in significant oil pollution, release of hazardous substances, loss of life, or otherwise causes significant adverse environmental impact could result in additional legislation, regulation, or other requirements that could negatively affect our profitability.

The laws and regulations discussed below may not constitute a comprehensive list of all such laws and regulations that are applicable to the operation of our vessels.

**International Maritime Organization**

The IMO has adopted the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978 relating thereto (collectively referred to as MARPOL 73/78 and herein as "MARPOL"). MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate. MARPOL sets forth pollution-prevention requirements applicable to drybulk carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI, separately adopted by the IMO in September of 1997, related to air emissions, which entered into force on 19 May 2005.

In 2013, the MEPC adopted by resolution amendments to the MARPOL Annex I Conditional Assessment Scheme, or CAS. The amendments, which are expected to become effective on October 1, 2014, pertain to revising references to the inspections of bulk carriers and tankers after the 2011 ESP Code, which enhances the programs of inspections, becomes mandatory.

*Air Emissions*

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. 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, known as ECAs, (see below).

The IMO's Marine Environment Protection Committee, or MEPC, adopted amendments to Annex VI on October 10, 2008, which amendments were 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 sulphur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI required that fuel oil contain no more than 3.50% sulfur. By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

Sulfur content standards are even stricter within certain "Emission Control Areas" ("ECAs"). As of July 1, 2010, ships operating within an ECA are not permitted to use fuel with sulfur content in excess of 1.0%, which will be further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea, the North Sea and certain coastal areas of North America have been so designated. .Furthermore as of January 1, 2014 the applicable areas of the United States Caribbean Sea adjacent to Puerto Rico and the U.S. Virgin Islands were designated ECAs. Ocean-going vessels in these areas will be subject to stringent emissions controls and may cause us to incur additional costs. 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 EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures, operational changes, or otherwise increase the costs of our operations.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships in part to address greenhouse gas emissions IMO's Marine Environment Protection Committee (MEPC) has given extensive consideration to control of GHG emissions from ships and finalized in July 2009 a package of specific technical and operational reduction measures. In March 2010 MEPC started the consideration of making the technical and operational measures mandatory for all ships irrespective of flag and ownership. This work was completed in July 2011 with the breakthrough adoption of technical measures for new ships and operational reduction measures for all ships, which are, consequently, the first ever mandatory global GHG reduction regime for an entire industry sector. The adopted measures add to MARPOL Annex VI a new Chapter 4 entitled "Regulations on energy efficiency for ships", making mandatory the Energy Efficiency Design Index (EEDI) for new ships and the Ship Energy Efficiency Plan (SEEMP) for all ships. The regulations apply to all ships over 400 gross tonnage and above and entered into force through the tacit acceptance procedure on 1 January 2013.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation with a "Tier II" emission limit for engines installed on or after January 1, 2011; then with a more stringent "Tier III" emission limit for engines installed on or after January 1, 2016 operating in ECAs. Marine diesel engines installed on or after January 1, 1990 but prior to January 1, 2000 are required to comply with "Tier I" emission limits.
The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

*Safety Management System Requirements*

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL Convention standards. May 2012 SOLAS amendments entered into force as of January 1, 2014. The Convention on Limitation of Liability for Maritime Claims (LLMC) was recently amended and the amendments are expected to go into effect on June 8, 2015. The amendments alter the limits of liability for loss of life or personal injury claims and property claims against ship-owners.

The operation of our ships is also affected by the requirements set forth in Chapter IX of SOLAS, which sets forth the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship 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. As of the date of this filing, each of our vessels is ISM code-certified.

The ISM Code requires that vessel operators obtain a safety management certificate, or SMC, for each vessel they operate. This certificate evidences compliance by a vessel's operators with the ISM Code requirements for a safety management system, or SMS. No vessel can obtain an SMC under the ISM Code unless its manager has been awarded a document of compliance, or DOC, issued in most instances by the vessel's flag state. [Our appointed ship managers have obtained documents of compliance for their offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance, or the DOC, and ship management certificate, or the SMC, are renewed as required.

*International Labor Organization*

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006 (MLC 2006). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 entered into force on August 20, 2013. The MLC 2006 requires us to develop new procedures to ensure full compliance.

*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. IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, there has not been sufficient adoption of this standard for it to take force, but it is close. Many of the implementation dates originally written in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period for installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems (BWMS). For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This in effect makes all vessels constructed before the entry into force date 'existing' vessels, and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force. Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of such compliance would be material, it is difficult to predict the overall impact of such a requirement on our operations.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners 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 Convention on Limitation of Liability for Maritime Claims of 1976, as amended). 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.

In March 2006, the IMO amended Annex I to MARPOL, including a new regulation relating to oil fuel tank protection, which became effective August 1, 2007. The new regulation applies to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards.

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, lead to decreases in available insurance coverage for affected vessels or result in the denial of access to, or detention in, some ports.

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.

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

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 with the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone around the United States. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, 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."

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. 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) 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;

(iv) loss of subsistence use of natural resources that are injured, destroyed or lost;

(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 July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels (e.g. drybulk) to the greater of $1,000 per gross ton or $854,400 (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 where the responsibility 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 damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing 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 U.S. Coast Guard 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.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes.

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.

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. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws.

*Other Environmental Initiatives*

The U.S. Clean Water Act, or 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. Furthermore, 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.

The EPA regulates the discharge of ballast and bilge water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit, or VGP, authorizing ballast and bilge water discharges and other discharges incidental to the operation of vessels. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. On March 28, 2013, the EPA re-issued the VGP for another five years; this VGP took effect of December 19, 2013. The new VGP focuses on authorizing discharges incidental to operations of commercial vessels. The VGP also contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants.

U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the U.S. Coast Guard implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004. Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA also requires states to draft State Implementation Plans ("SIPs") designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment.

*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. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. 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.

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 then 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.

With effect from January 1, 2010, the Directive 2005/33/EC of the European Parliament and of the Council of July 6, 2005, amending Directive 1999/32/EC came into force. The objective of the directive is to reduce emission of sulfur dioxide and particulate matter caused by the combustion of certain petroleum derived fuels. The directive imposes limits on the sulfur content of such fuels as a condition of their use within a Member State territory. The maximum sulfur content for marine fuels used by inland waterway vessels and ships at berth in ports in EU countries after January 1, 2010, is 0.10% by mass. As of January 1, 2015, all vessels operating within ECAs worldwide must comply with 0.1% sulfur requirements. Currently, the only grade of fuel meeting 0.1% sulfur content requirement is low sulfur marine gas oil (or LSMGO). Effective July 1, 2010, the reduction of applicable sulfur content limits in the North Sea, the Baltic Sea and the English Channel Sulfur Emission Control Areas was 1%. On July 15, 2011, the European Commission also adopted a proposal for an amendment to Directive 1999/32/EC which would align requirements with those imposed by the revised MARPOL Annex VI which introduced stricter sulphur limits.

*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. As of January 1, 2013, all new ships must comply with two new sets of mandatory requirements, which were adopted by MEPC in July 2011, to address greenhouse gas emissions from ships. Currently operating ships will be required to develop SEEMPs, and minimum energy efficiency levels per capacity mile, outlined in the Energy Efficiency Design Index, will apply to new ships. The IMO is also planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessels, and in January 2012 the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships. In April 2013, the European Parliament rejected proposed changes to the European Union Emissions Law regarding carbon trading. In June 2013 the European Commission developed a strategy to integrate maritime emissions into the overall European Union Strategy to reduced greenhouse gas emissions. If the strategy is adopted by the European Parliament and Council large vessels using European Union ports would be required to monitor, report, and verify their carbon dioxide emissions beginning in January 2018. In December 2013 the European Union environmental ministers discussed draft rules to implement monitoring and reporting of carbon dioxide emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

*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 Maritime Transportation Security Act of 2002, or MTSA. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the U.S. Environmental Protection Agency (EPA).

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code, or 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, or ISSC, from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- 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.

Ships operating without a valid certificate may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port.

The U.S. Coast Guard regulations, intended to be aligned 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 SOLAS security requirements and the ISPS Code.

*Inspection by Classification Societies*

Every oceangoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.
The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class certification, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

- ***Annual Surveys:*** For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.
- ***Intermediate Surveys:*** Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.
- ***Class Renewal Surveys:*** Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. Upon a shipowner's request, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the ship owner within prescribed time limits.

All insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies, or IACS. All our vessels are certified as being "in class" either by Lloyd's Register of Shipping, American Bureau of Shipping, DNV-GL, or Bureau Veritas, or Class NK. All new and second hand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memorandum of agreement. For the second hand vessels same is verified by a Class Maintenance Certificate issued within 72 hours prior to delivery, including full certification delivered at the time of closing. If the vessel is not certified on the date of closing, we have the option to cancel the agreement due to Seller's default and not take delivery of the vessel.

***Risk of Loss and Liability Insurance***

*General*

The operation of any dry bulk vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage, and business interruption due to political circumstances in foreign countries, 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 owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market.

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 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, which insure our third party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the 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. 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 the group's claim records as well as the claim records of all other members of the individual associations and members of the 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. We are not aware of any supplemental calls in respect of any policy year that have not been recorded in our consolidated financial statements.

***C. Organizational structure***

Diana Shipping Inc. is the sole owner of all of the issued and outstanding shares of the subsidiaries listed in Note 1 "Basis of Presentation and General Information" of our consolidated financial statements under Item 18 and 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. 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 primarily pursuant to short-term and long-term time charters. Currently, the majority of our vessels are employed on long-term time charters ranging in duration from 16 to 62 months. 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. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

**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, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Ownership days | 12,049 | 10,119 | 8,609 |
| Available days | 12,029 | 9,998 | 8,474 |
| Operating days | 11,944 | 9,865 | 8,418 |
| Fleet utilization | 99.3% | 98.7% | 99.3% |
| Time charter equivalent (TCE) rate (1) | $ 12,959 | $ 21,255 | $ 28,920 |

(1) Please see Item 3.A for a reconciliation of TCE to GAAP measures.

***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. Currently, all vessels in our fleet are employed on time 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. Since 2009, our revenues decreased due to the decrease in the charter rates, with the exception of 2010 when Diana Containerships was consolidated to our financial statements. For 2014, we expect our revenues to remain at current levels, or increase due to the enlargement of our fleet, if rates remain at current levels.

***Voyage Expenses***

We incur voyage expenses that include port and canal charges, bunker (fuel oil) expenses and commissions. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the owner of the vessels. Port and canal charges and bunker expenses currently represent a relatively small portion of our vessels' overall expenses because all of our vessels are employed under time charters that require the charterer to bear all of those expenses.

As is common in the shipping industry, we currently pay commissions ranging from 3.75% to 5.00% of the total daily charter hire rate of each charter to unaffiliated ship brokers and in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition to commissions paid to third parties, we pay our fleet manager a commission that is equal to 2% of our revenues in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. However, this commission is eliminated from our consolidated financial statements as an intercompany transaction. During 2010 and until January 18, 2011, Diana Containerships also paid our fleet manager a commission of 1%, which was eliminated from our consolidated financial statements as an intercompany transaction. After its partial spin-off in January 2011 and until March 1, 2013 when the management agreements between DSS and Diana Containerships were terminated, the 1% commission paid by Diana Containerships constituted revenue of DSS. For 2014, we expect our voyage expenses to increase if our time charter revenues increase.

***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 and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet. For 2014, we expect our operating expenses to increase as a result of the enlargement of our fleet and also due to our enhanced environmental compliance program, we have in place since the end of 2013. There may also be other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for insurance and crew wages that may cause these expenses to increase.

***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 have increased in recent periods due to the enlargement of our fleet. Since January 1, 2013, we increased the salvage value of all of our vessels from $150 per lightweight ton to $250 per lightweight ton. This change was made because the historical scrap rates over the past ten years have increased and as such the $150 value was not considered representative. For 2014, we expect depreciation expense to increase as a result of the enlargement of our fleet.

***General and Administrative Expenses***

We incur general and administrative expenses which include our onshore related expenses such as legal and professional expenses and other general vessel expenses. Our general and administrative expenses also include payroll expenses of employees, executive officers and consultants, compensation cost of restricted stock awarded to senior management and non-executive directors, traveling, promotional and other expenses of the public company. For 2014, we expect our general and administrative expenses to increase as a result of increased salaries.

***Interest and Finance Costs***

We have historically incurred interest expense and financing costs in connection with the vessel-specific debt. As of December 31, 2013 and 2012, we had $433.1 million and $460.9 million of indebtedness outstanding, respectively. We incur interest expense and financing costs relating to our outstanding debt. Currently, our debt amounts to $446.7 million and we expect to incur additional debt under our $30.0 million loan agreement with China Export Import Bank and DnB Bank. We may incur additional debt to finance future acquisitions or constructions. 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 2014, we expect interest and finance expenses to increase as a result of increased indebtedness.

**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.

We entered into agreements to purchase vessels with time charters assumed for the *Thetis*, the *Salt Lake City*, the *Norfolk* and the *Houston*. Accordingly, we evaluated the charters of those vessels and recognized an asset in the case of the *Thetis* and the *Houston* with a corresponding decrease of the vessel's value, and a liability in the case of the *Salt Lake City*, with a corresponding increase of the vessel's value and the actual cost for the *Norfolk*. The asset recognized for the *Thetis* was fully amortized to revenue in 2007 and for *Houston* was fully amortized in 2013. The liability recognized for the *Salt Lake City* was fully amortized in 2012.

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. We had such varying rates pursuant to our time charter agreements for the *Sideris GS*, which expired in October 2010, the *Aliki*, which expired in March 2011 and the *Semirio*, which expired in May 2011.

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.

**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.

Based on: (i) the carrying value of each of our vessels as of December 31, 2013 and 2012, and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2013 and 2012, the aggregate carrying value of 18 and 28 of the vessels in our fleet as of December 31, 2013 and 2012, respectively, exceeded their aggregate charter-free market value by approximately $410 million and $587 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, 2013 and 2012, on 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 18 and 28 vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and as of the date of this annual report, we were not and are not holding any of our vessels for sale.

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 factors entitled "*The market values of our vessels have decreased, which could limit the amount of funds that we can borrow under our credit facilities*", "*If the market values of our vessels decrease, could cause us to breach covenants in our credit facilities and adversely affect our operating results*" and the discussion herein under the heading Item 4.B. Business overview – Vessel Prices.

| | Vessel | Dwt | Year Built | Carrying Value (in millions of US dollars) | |
|---|---|---|---|---|---|
| | | | | 2013 | 2012 |
| 1 | Alcmene | 93,193 | 2010 | 36.0* | 37.5* |
| 2 | Alcyon | 75,247 | 2001 | 10.9 | 11.6* |
| 3 | Aliki | 180,235 | 2005 | 79.1* | 83.7* |
| 4 | Amphitrite | 98,697 | 2012 | 23.9 | 24.7 |
| 5 | Arethusa | 73,593 | 2007 | 26.8* | 28.1* |
| 6 | Artemis | 76,942 | 2006 | 20.1 | |
| 7 | Baltimore | 177,243 | 2005 | 27.3 | |
| 8 | Boston | 177,828 | 2007 | 84.2* | 88.4* |
| 9 | Calipso | 73,691 | 2005 | 14.4 | 15.1* |
| 10 | Clio | 73,691 | 2005 | 14.8 | 15.5* |
| 11 | Coronis | 74,381 | 2006 | 29.4* | 31.0* |
| 12 | Danae | 75,106 | 2001 | 12.8 | 13.6* |
| 13 | Dione | 75,172 | 2001 | 12.6 | 13.4* |
| 14 | Erato | 74,444 | 2004 | 26.5* | 28.0* |
| 15 | Houston | 177,729 | 2009 | 53.1* | 55.3* |
| 16 | Leto | 81,297 | 2010 | 29.8* | 31.1* |

| | | | | | |
|---|---|---|---|---|---|
| 17 | Los Angeles | 206,104 | 2012 | 55.8* | 57.9* |
| 18 | Maia | 82,193 | 2009 | 19.8 | |
| 19 | Melia | 76,225 | 2005 | 19.1 | 20.0* |
| 20 | Melite | 76,436 | 2004 | 28.5* | 30.1* |
| 21 | Myrsini | 82,117 | 2010 | 22.7 | |
| 22 | Myrto | 82,131 | 2013 | 25.8 | |
| 23 | Naias | 73,546 | 2006 | 28.5* | 29.9* |
| 24 | New York | 177,773 | 2010 | 54.0* | 56.2* |
| 25 | Nirefs | 75,311 | 2001 | 11.0 | 11.6* |
| 26 | Norfolk | 164,218 | 2002 | 95.9* | 102.5* |
| 27 | Oceanis | 75,211 | 2001 | 11.2 | 11.8* |
| 28 | Philadelphia | 206,040 | 2012 | 56.6* | 58.7* |
| 29 | Polymnia | 98,704 | 2012 | 23.8 | 24.6 |
| 30 | Protefs | 73,630 | 2004 | 14.1 | 14.8* |
| 31 | PS Palios | 179,134 | 2013 | 52.0 | |
| 32 | Salt Lake City | 171,810 | 2005 | 122.5* | 129.5* |
| 33 | Semirio | 174,261 | 2007 | 73.5* | 77.2* |
| 34 | Sideris GS | 174,186 | 2006 | 66.4* | 69.8* |
| 35 | Thetis | 73,583 | 2004 | 26.3* | 27.8* |
| 36 | Triton | 75,336 | 2001 | 11.2 | 11.7* |
| | **Total** | **4,056,438** | | **1,320.4** | **1,211.1** |

_____

***** Indicates dry bulk vessels for which we believe, as of December 31, 2013 and 2012, 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 $410 million and $587 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.

***Accounts Receivable, Trade***

Accounts receivable, trade, at each balance sheet date, include receivables from charterers for hire, ballast bonus billings, if any, hold cleanings and extra voyage insurance, net of a 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.

***Accounting for Revenues and Expenses***

Revenues are generated from time charter agreements and are usually paid 15 days in advance. Time charter agreements with the same charterer are accounted for as separate agreements according to the terms and conditions of each agreement. Time charter revenues are recorded over the term of the charter as service is provided when they become fixed and determinable. Revenues from time charter agreements providing for varying annual rates over their term are accounted for on a straight line basis. Income representing ballast bonus payments by the charterer to the vessel owner is recognized in the period earned. Deferred revenue includes cash received prior to the balance sheet date for which all criteria for recognition as revenue have not been met. Deferred revenue may also include deferred revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis, or the unamortized balance of the liability associated with the acquisition of second-hand vessels with time charters attached which were acquired at values below fair market value at the date the acquisition agreement is consummated.

Voyage expenses, primarily consisting of commissions, port, canal and bunker expenses that are unique to a particular charter, are paid for by the charterer under time charter arrangements or by the Company under voyage charter arrangements, except for commissions, which are always paid for by the Company, regardless of charter type. All voyage and vessel operating expenses are expensed as incurred, except for commissions. Commissions are deferred over the related voyage charter period to the extent revenue has been deferred since commissions are due as the Company's revenues are earned.

***Prepaid/Deferred Charter Revenue***

The Company records identified assets or liabilities associated with the acquisition of a vessel at fair value, determined by reference to market data. The Company values 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 contractual cash flows of the time charter assumed is greater than its current fair value, the difference, capped to the vessel's fair value on a charter free basis, 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. We test such assets for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

***Vessel Depreciation***

We record the value of our vessels at their cost less accumulated depreciation. We depreciate our dry bulk vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard which we believe is common in the dry bulk shipping industry. Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. Depreciation is based on cost less the estimated salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate. Furthermore, we estimate the salvage values of our vessels based on historical average prices, which we believe is common in the dry bulk shipping industry. In 2013, we identified that the estimated scrap rate used for the determination of annual depreciation was not in line with the current average historical rate and as such, the estimated scrap rate was revised from $150 per lightweight ton to $250 per lightweight ton. For 2013, this increase in salvage values has reduced depreciation and net loss by approximately $2.9 million. A decrease in the useful life of a vessel or in its salvage value would have the effect of increasing the annual depreciation charge. When regulations place limitations on the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted at the date such regulations are adopted.

***Deferred Drydock Cost***

Our vessels are required to be drydocked approximately every 30 to 36 months for major repairs and maintenance that cannot be performed while the vessels are operating. We defer the costs associated with drydockings as they occur and amortize these costs on a straight-line basis over the period through the date the next dry-docking is scheduled to become due. Unamortized drydocking costs of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the year of the vessel's sale. Costs deferred as part of the drydocking include actual costs incurred at the yard and parts used in the drydocking. We believe that these criteria are consistent with industry practice and that our policy of capitalization reflects the economics and market values of the vessels.

***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, obsolesce or damage to the asset, potential sales and other business plans) indicate that the carrying amount of the assets 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 the vessels, the current conditions in the dry bulk market with decreased charter rates and decreased 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 value. The projected net operating cash flows are determined 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 historical 1 year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of brokerage commissions; (ii) expected outflows for scheduled vessels' maintenance; (iii) vessel operating expenses increasing annually by an annual inflation rate of 3%; (iv) effective fleet utilization of 98% taking into account the period each vessel is expected to remain off hire for scheduled maintenance (dry docking and special surveys) and 1% off hire days (other than for dry docking and special surveys) each year. 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. 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.

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 | $ 26,746 | $ 12,524 |
| Capesize/Newcastlemax | $ 48,802 | $ 19,656 |

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 a reduction of approximately 39% in the time charter rates or a 36% of off hire days (other than for dry docking and special surveys) to 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 currently 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 | $ 10,099 | 57.1 | $ 11,489 | 57.1 | $ 15,436 | - |
| Capesize/Newcastlemax | $ 15,760 | 339.1 | $ 15,461 | 339.1 | $ 22,525 | 210.5 |

***Derivatives***

We are exposed to interest rate fluctuations associated with our variable rate borrowings and our objective is to manage the impact of such fluctuations on our results of operations and cash flows of our borrowings. We currently have one collar agreement which is considered an economic, and not accounting, hedge, as it does not meet the hedge accounting criteria. The fair value of the collar agreement determined through Level 2 inputs of the fair value hierarchy is derived principally from or corroborated by observable market data. Inputs include interest rates, yield curves and other items that allow value to be determined.

**Results of Operations**

***Year ended December 31, 2013 compared to the year ended December 31, 2012***

*Time Charter Revenues.* Time charter revenues decreased by $56.8 million, or 26%, to $164.0 million in 2013, compared to $220.8 million in 2012. The decrease was due to a 39% decrease of our average charter rates in 2013 compared to in 2012. The decrease was partly off-set by a 19% increase of our ownership days resulting from the delivery of the *Los Angeles* in February 2012; the *Philadelphia* and *Melia*, both delivered in May 2012; the *Amphitrite*, delivered in August 2012; the *Polymnia*, delivered in November 2012; the *Myrto*, delivered in January 2013; the *Maia*, delivered in February 2013; the *Baltimore*, delivered in June 2013; the *Artemis*, delivered in August 2013; the *Myrsini*, delivered in October 2013; and the *PS Palios*, delivered in December 2013. In 2013 we had total operating days of 11,944 and fleet utilization of 99.3%, compared to 9,865 total operating days and a fleet utilization of 98.7% in 2012.

*Other Revenues.* Other revenues decreased by $2.0 million, or 83%, to $0.4 million in 2013, compared to $2.4 million in 2012 and consist of the income derived from the management and administrative agreements between DSS and Diana Containerships. The decrease in 2013 was due to the termination of the agreements with Diana Containerships on March 1, 2013.

*Voyage Expenses.* Voyage expenses decreased by $0.2 million, or 2%, to $8.1 million in 2013 compared to $8.3 million in 2012. This decrease in voyage expenses is primarily attributable to the decrease of commissions paid to unaffiliated ship brokers and in-house ship brokers associated with charterers. As commissions are a percentage of time charter revenues, they follow the same trend with time charter revenues. This decrease was partly offset by the decrease of the gain from bunkers between the two periods, which amounted to $0.1 million in 2013, compared to $2.1 million in 2012, which was the result of the different bunker prices at the delivery and redelivery of our vessels that entered into new charters during the year.

*Vessel Operating Expenses.* Vessel operating expenses increased by $10.9 million, or 16%, to $77.2 million in 2013 compared to $66.3 million in 2012. The increase in operating expenses is primarily attributable to the 19% increase in ownership days resulting from the delivery of the new vessels to our fleet in 2013. The increase was also due to increased crew costs, insurances, taxes and other operating expenses and was partly offset by decreased stores, spares, repairs and maintenance costs. Daily operating expenses were $6,408 in 2013 compared to $6,551 in 2012, representing a 2% decrease.

*Depreciation and Amortization of Deferred Charges.* Depreciation and amortization of deferred charges increased by $2.7 million, or 4%, to $64.7 million in 2013, compared to $62.0 million 2012. This increase was due to the enlargement of our fleet and was partly offset by a decrease in depreciation expense of $2.9 million, or $0.04 per share, due to the increase in the scrap value of the vessels. Additionally, the increase in depreciation and amortization was partly offset by decreased amortization of deferred drydocking costs, mainly due to the termination of the amortization period for several vessels during 2013 and the fact that only one vessel was dry-docked at the end 2013.

*General and Administrative Expenses*. General and Administrative Expenses decreased by $1.2 million, or 5%, to $23.7 million in 2013 compared to $24.9 million in 2012. The decrease is mainly attributable to reduced bonuses, compensation cost on restricted stock awards to executive management and non-executive directors, and company promotion expenses.

*Interest and Finance Costs.* Interest and finance costs increased by $0.5 million, or 7%, to $8.1 million in 2013 compared to $7.6 million in 2012. The increase is primarily attributable to higher average interest rates on increased average long term debt outstanding during 2013 compared to 2012. Interest expense in 2013 amounted to $7.6 million compared to $7.0 million 2012.

*Interest and Other Income*. Interest and other income increased by $0.4 million, or 29%, to $1.8 million in 2013 compared to $1.4 million in 2012. The increase is attributable to interest income and fees of $1.2 million, which derived from our loan agreement with Diana Containerships, dated May 20, 2013, pursuant to which $50.0 million were drawn by Diana Containerships on August 20, 2013. This increase was partly offset by decreased interest income on our cash at banks during 2013 mainly due to decreased levels of cash compared to last year.

*Loss from Derivative Instruments*. Loss from derivative instruments decreased by $0.4 million, or 80%, to $0.1 million in 2013 compared to $0.5 million in 2012. The decrease is due to the unrealized gain of $0.6 million 2013 compared to gain of $36,495 in 2012. Realized loss in 2013 amounted to $0.7 million compared to $0.6 million in 2012.

*Income / (loss) from Investment in Diana Containerships Inc*. Loss from our investment in Diana Containerships Inc. amounted to $6.1 million in 2013 and was mainly due to impairment charges recorded by Diana Containerships during the year. This compared to a loss of $1.8 million in 2012, mainly due to the dilution of our ownership percentage in Diana Containerships from 14.5% to 10.4%, following a follow on offering of Diana Containerships.

***Year ended December 31, 2012 compared to the year ended December 31, 2011***

*Time Charter Revenues.* Time charter revenues decreased by $34.9 million, or 14%, to $220.8 million for 2012, compared to $255.7 million for 2011. The decrease was due to a 27% decrease of our average charter rates in 2012 compared to 2011. Time charter revenues of the Diana Containerships' fleet amounted to $0.6 million in 2011 (before its deconsolidation in January 2011). The decrease was partly off-set by a 18% increase of our ownership days resulting from the delivery of new vessels to our fleet following our acquisition of the vessels *Leto*, delivered in January 2012; *Los Angeles*, delivered in February 2012; *Philadelphia* and *Melia*, delivered in May 2012; *Amphitrite*, delivered in August 2012; *Polymnia*, delivered in November 2012 and *Arethusa* delivered in July 2011. In 2012 we had total operating days of 9,865 and fleet utilization of 98.7%, compared to 8,418 total operating days and a fleet utilization of 99.3% in 2011.

*Other Revenues.* Other revenues increased by $1.3 million, to $2.4 million for 2012, compared to $1.1 million for 2011 and consist of the income derived from the management and administrative agreements between DSS and Diana Containerships since its deconsolidation on January 18, 2011. The increase in 2012 was due to the increase in the fleet of Diana Containerships compared to 2011.

*Voyage Expenses.* Voyage expenses decreased by $2.3 million, or 22%, to $8.3 million in 2012 compared to $10.6 million in 2011. This decrease in voyage expenses is primarily attributable to the decrease in commissions paid to unaffiliated ship brokers and in-house ship brokers associated with charterers, but also due to deconsolidation of Diana Containerships. Voyage expenses relating to Diana Containerships' fleet before its deconsolidation on January 18, 2011 amounted to $21,570. Commissions are a percentage of time charter revenues and as such they follow the same trend with time charter revenues. The decrease in voyage expenses was also due to an increase in the gains from bunkers amounting to $2.1 million in 2012 compared to $1.7 million in 2011. These gains are the result of the different prices of bunkers at the delivery and redelivery of our vessels for the fixtures that were renewed during the year.

*Vessel Operating Expenses.* Vessel operating expenses increased by $10.9 million, or 20%, to $66.3 million in 2012 compared to $55.4 million in 2011. The increase in operating expenses is primarily attributable to the 18% increase in ownership days resulting from the delivery of six new vessels to our fleet in 2012 and one vessel in mid-2011. This increase was also due to increased daily crew costs, stores and spares in 2012 compared to 2011, mainly due to the fact that the new vessels added in the fleet incurred increased crew travelling expenses and initial supplies, and was partly offset by on average decreases in insurances and repairs and maintenance costs. Vessel operating expenses relating to Diana Containerships in 2011 (before its deconsolidation in January 2011) amounted to $0.2 million. Daily operating expenses were $6,551 in 2012 compared to $6,432 in 2011, representing a 2% increase.

*Depreciation and Amortization of Deferred Charges.* Depreciation and amortization of deferred charges increased by $6.7 million, or 12%, to $62.0 million for 2012, compared to $55.3 million for 2011. This increase was mainly the result of both the enlargement of our fleet which resulted in increased depreciation in 2012 compared to 2011 and the increase in amortization of deferred drydocking costs, due to eight vessels being under drydock in 2012. Depreciation charges relating to Diana Containerships' fleet in 2011 (before its deconsolidation in January 2011) amounted to $0.1 million.

*General and Administrative Expenses.* General and Administrative Expenses for 2012 decreased by $0.2 million, or 1%, to $24.9 million compared to $25.1 million in 2011. The decrease is mainly attributable to the deconsolidation of Diana Containerships and also to reduced legal fees and document printing expenses due to less company activity, directors and officers insurance and board of directors' fees and expenses and was partly offset by increases in compensation cost on restricted stock awards to executive management and non-executive directors and company promotion expenses. General and Administrative Expenses for Diana Containerships, amounted to $0.3 million in 2011 (before its deconsolidation in January 2011).

*Interest and Finance Costs.* Interest and finance costs increased by $2.7 million, or 55%, to $7.6 million in 2012 compared to $4.9 million in 2011. The increase is primarily attributable to higher average interest rates on increased average long term debt outstanding during 2012 compared to 2011, and also due to increased loan costs due to additional loan agreements made in 2012. Interest and finance costs of Diana Containerships, before its deconsolidation on January 18, 2011, amounted to $46,663. Interest costs in 2012 amounted to $7.0 million compared to $4.5 million in 2011.

*Interest and Other Income*. Interest income increased by $0.4 million, or 40%, to $1.4 million in 2012 compared to $1.0 million in 2011. The increase is attributable to increased levels of cash on hand during the year.

*Loss from Derivative Instruments*. Loss from derivative instruments decreased by $0.2 million, or 29%, to $0.5 million in 2012 compared to $0.7 million in 2011 and includes both realized and unrealized losses. The decrease is due to the unrealized gains of $36,495 in 2012 compared to loss of $39,410 in 2011 and also due to decreased realized losses which in 2012 amounted to $0.6 million compared to $0.7 million and 2011.

*Income / (loss) from Investment in Diana Containerships Inc*. Loss from our investment in Diana Containerships Inc. amounted to $1.8 million in 2012 and was due to our dilution following a follow on offering of Diana Containerships in 2012 causing the reduction of our ownership from 14.5% to 10.4%. This compared to a gain of $1.2 million in 2011 which derived from the valuation of the investment under the equity method after the deconsolidation of Diana Containerships in January 2011.

**Inflation**

Inflation has only a moderate 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 and long-term bank debt. Our main uses of funds have been capital expenditures for the acquisition 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, the construction of our new vessels, debt service and the payment of our preferred dividends. As at December 31, 2013 and 2012, working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to $189.1 million and $405.5 million, respectively.

We anticipate that internally generated cash flow will be sufficient to fund the operations of our fleet, including our working capital requirements and our payment of preferred dividends. We expect to fund the construction cost of vessels under construction with cash from operations, with additional debt or equity. In January 2014, we drew down $18.0 million under our loan facility with the Commonwealth Bank of Australia to finance part of the acquisition cost of the *Melite* and the *Artemis*. We also expect to draw $30.0 million under our facility with the Export-Import Bank of China and DnB NOR Bank ASA to finance part of the construction cost of *Crystalia*, delivered in February 2014 and hull H2529 to be named *Atalandi*, which is currently under construction and is expected to be delivered to us in April 2014. In February 2014, we completed an offering of 2,600,000 shares of Series B Preferred Shares, from which we received $63 million of proceeds net of underwriting discount.

**Cash Flow**

Cash and cash equivalents were $240.6 million as at December 31, 2013 compared to $446.6 million as at December 31, 2012. 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. Cash and cash equivalents may also include compensating cash balances kept against the Company's loan facilities that are not deemed to be sufficiently material to require segregation on the balance sheet. As at December 31, 2013 and 2012, cash and cash equivalents also include $18.0 million and $15.0 million, respectively, of such compensating cash balances not deemed to be sufficiently material to require segregation on the balance sheet.

***Net Cash Provided By Operating Activities***

Net cash provided by operating activities decreased by $52.5 million, or 44%, to $67.4 million in 2013 compared to $119.9 million in 2012. The decrease was primarily attributable to the decrease in revenues due to the decrease in average rates during the year, despite the enlargement of the fleet, and increase in expenses due to the enlargement of the fleet.

Net cash provided by operating activities decreased by $34.3 million, or 22%, to $119.9 million in 2012 compared to $154.2 million in 2011. The decrease was primarily attributable to the decrease in revenues.

***Net Cash Used In Investing Activities***

Net cash used in investing activities was $245.2 million for 2013, which consists of $198.6 million paid for predelivery installments for four vessels under construction, the acquisition of five vessels during the year, and the delivery installment for the acquisition of the *Myrto*, delivered in January 2013; $50.0 million paid to Diana Containerships, pursuant to the respective loan agreement; $4.0 million of dividends received from Diana Containerships during the year; and $0.6 million relating to building improvements and purchases of furniture and equipment.

Net cash used in investing activities was $169.9 million in 2012, which consists of $171.2 million paid for the acquisition of six vessels during the year, the payment of a 10% advance for the acquisition of the *Myrto* and two predelivery installments for the construction of two vessels; $2.8 million of dividends received from Diana Containerships during the year and $1.6 million relating to property additions and purchases of furniture, equipment and software development costs.

Net cash used in investing activities was $90.4 million in 2011, which consists of $58.3 million paid for two vessels under construction, the advance for the vessel *Leto* delivered to us in January 2012, and the payment for the acquisition during the year of the vessel *Arethusa*; $12.0 million of cash disposed-off upon the partial spin-off of Diana Containerships; $20.0 million paid to participate in Diana Containerships' public offering in June 2011; $0.1 million of dividends received from Diana Containerships during the year and $0.2 million relating to purchases of furniture, equipment and software development costs.

***Net Cash Used In / Provided By Financing Activities***

Net cash used in financing activities was $28.2 million for 2013, which consists of $18.0 million of proceeds drawn under our loan facility with Deutsche Bank AG for the vessels *Maia* and *Myrto*; $45.8 million of indebtedness that we repaid; and $0.4 million of financing costs we paid relating to our new loan agreements.

Net cash provided by financing activities was $80.0 million in 2012, which consists of $118.6 million of proceeds drawn under our loan facilities and $32.0 million of indebtedness that we repaid; $6.0 million that we paid to repurchase and retire our common stock pursuant to the relevant plan; and $0.6 million that we paid in financing costs relating to our new loan agreements.

Net cash provided by financing activities was $7.5 million in 2011, which consists of $15.0 million of proceeds drawn under our loan facilities and $6.3 million of indebtedness that we repaid; and $1.2 million that we paid to repurchase and retire our common stock pursuant to the relevant plan.

**Loan Facilities**

***The Royal Bank of Scotland Plc.("RBS"):*** In February 2005, we entered into a $230.0 million secured revolving credit facility with RBS, which was amended on May 24, 2006, to increase the facility amount to $300.0 million. We have drawn funds under our $300.0 million credit facility to fund vessel acquisitions.

The $300.0 million revolving credit facility has a term of ten years from May 24, 2006, which we refer to as the availability date, and was available in full until May 24, 2012. Since that date the available amount is reducing in semiannual amounts of $15.0 million with a final reduction of $165.0 million together with the last semi-annual reduction on May 24, 2016. Interest on amounts drawn are payable at a rate ranging from 0.75% to 0.85% per annum over LIBOR.

The credit facility is secured by a first priority or preferred ship mortgage on certain vessels of our fleet, assignment of all freights, earnings, insurances and requisition compensation. The lenders may also require additional security in the event we breach certain covenants under the credit facility, including a shortfall in the hull cover ratio, as described below. The credit facility contains covenants including restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio, minimum liquidity of $0.4 million per each vessel in the fleet mortgaged under or financed through the credit facility and other financial covenants. Furthermore, the Company is not permitted to pay any dividends that would result in a breach of the financial covenants of the facility.

As of December 31, 2013 and as of the date of this annual report, we had $240.0 million of principal balance outstanding under our $300.0 million revolving credit facility.

***Bremer Landesbank ("Bremer"):*** In October 2009, our wholly owned subsidiary Gala Properties Inc., entered into a $40.0 million loan agreement with Bremer to partly finance or, as the case may be, refinance the contract price of the *Houston*, which was drawn in November 2009. The loan has a term of ten years and 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. The loan bears interest at Libor plus a margin of 2.15% per annum.

The loan is secured by a first preferred ship mortgage on the vessel, a first priority assignment of all earnings, insurances, and requisition compensation and a corporate guarantee. The lenders may also require additional security in the future in the event we breach certain covenants under the loan agreement and includes restrictions as to changes in management and ownership of the vessel, additional indebtedness, substitute charters in the case the vessel's current charter is prematurely terminated, as well as minimum requirements regarding hull cover ratio (vessel's market value of at least 120% of the outstanding balance of the loan). Furthermore, we are not permitted to pay any dividends if an event of default has occurred and for the duration of the loan we are required to maintain sufficient funds to meet the next repayment installment and interest due at monthly intervals, any other outstanding indebtedness that becomes due with the bank and sufficient funds to cover the anticipated cost of the next special survey of the vessel accumulated at least 12 months prior to such a survey.

As of December 31, 2013 and as of the date of this annual report, we had $25.6 million and $24.7 million, respectively, of principal balance outstanding under our $40.0 million loan facility with Bremer Landesbank.

***Deutsche Bank AG ("Deutsche"):*** In October 2009, our wholly owned subsidiary Bikini Shipping Company Inc., ("Bikini") entered into $40.0 million a loan agreement with Deutsche to partly finance or, as the case may be, refinance the contract price of the *New York*, drawn in March 2010. The loan has a term of five years and is repayable in 19 quarterly installments of $0.6 million, or the 1.50% of the loan amount and a 20th installment equal to the remaining outstanding balance of the loan. The loan bears interest at Libor plus a margin of 2.40% per annum.

The loan is secured by a first preferred ship mortgage on the vessel, a first priority assignment of all earnings, insurances, and requisition compensation and a corporate guarantee. The lenders may also require additional security in the future in the event we breach certain covenants including restrictions as to changes in management and ownership of the vessel, additional indebtedness, as well as minimum requirements regarding hull cover ratio (vessel's market value of at least 125% of the outstanding balance of the loan), minimum liquidity of $0.4 million, average cash balance of $10.0 million, and other financial covenants. Furthermore, we are not permitted to pay any dividends which would result in a breach of financial covenants or if an event of default has occurred and is continuing.

On June 18, 2013, two of our wholly-owned subsidiaries, Tuvalu Shipping Company Inc. and Jabat Shipping Company Inc., entered into a loan agreement with Deutsche Bank AG, or Deutsche Bank, for a loan facility of $18.0 million to finance part of the acquisition cost of the *Maia* and the *Myrto*, which was drawn on June 20, 2013. On the same date, Bikini entered into a supplemental agreement with Deutsche Bank in order to amend the terms of the loan agreement dated October 9, 2009 with respect to the cross collateralization of the *New York* with *Maia* and *Myrto*. We paid an arrangement fee of $225,000 on the date of signing the facility agreement as well as an administration fee of $5,000 which is payable annually throughout the duration of the loan. The loan is repayable in 20 consecutive equal quarterly installments of $0.4 million and a balloon payment of $10.5 million payable together with the final quarterly installment on June 20, 2018. The loan bears interest at LIBOR plus a margin of 3.0%.

The loan is secured with a corporate guarantee from Diana Shipping Inc., first preferred mortgages on the vessels *Myrto* and *Maia* cross-collateralized with a second preferred mortgage on *New York*, first assignment of earnings, first assignment of time charter contracts with duration of more than 12 months, first assignment of insurances, and a pledge over the shares of the borrowers and manager's undertaking and subordination. The loan also has financial covenants, requires minimum liquidity of $0.5 million for each borrower and $0.5 million for each vessel owned by the guarantor and minimum requirements regarding hull cover ratio. Finally, the borrowers under the loan are not permitted to pay any dividends that would result in breach of financial covenants or in the case that an event of default has occurred and is continuing, unremedied and unwaived.

As of December 31, 2013 and as of the date of this annual report, we had $48.3 million and $47.3 million, respectively, of principal balance outstanding under our loan facilities with Deutsche Bank.

***DnB NOR Bank ASA ("DnB NOR"):*** In July 2010, Diana Containerships through its subsidiaries Likiep Shipping Company Inc. and Orangina Inc., entered into a loan agreement with DnB NOR to finance part of the acquisition cost of the vessels *Sagitta* and *Centaurus* for an amount of up to $40.0 million in two advances for each vessel with each advance not exceeding the lower of $10.0 million and the 25% of the market value of the vessel relevant to it.

The repayment of the loan was in 24 quarterly installments of $165,000 for each advance and a balloon of $6.0 million payable together with the last installment. The loan bore interest at LIBOR plus a margin of 2.40% per annum. An arrangement fee of $0.4 million was paid on signing the facility agreement. The loan bore commitment fees of 0.96%, on the undrawn part of the loan.

Diana Containerships and its subsidiaries are no longer consolidated to our consolidated financial statements, after its partial spin-off in January 2011.

***Export-Import Bank of China and DnB NOR Bank ASA ("CEXIM and DnB"):*** In October 2010, our wholly owned subsidiaries, Lae Shipping Company Inc. ("Lae") and Namu Shipping Company Inc., ("Namu") entered into a loan agreement with CEXIM and DnB NOR to finance part of the acquisition cost of the *Los Angeles*, and the *Philadelphia*, for an amount of up to $82.6 million.

On February 15, and May 18, 2012, Lae and Namu drew down an aggregate of $72.1 million of the loan, which represents 70% of the vessels' market value on delivery.

The Lae advance is repayable in 40 quarterly installments of $627,945 and a balloon of $ 12.3 million payable together with the last installment on February 15, 2022 and the Namu advance is repayable in 40 quarterly installments of $580,996 and a balloon of $11.4 million payable together with the last installment on May 18, 2022. Each Bank has the right to demand repayment of the outstanding balance of any advance 72 months after the respective advance drawdown. Such demand shall be subject to written notification to be made no earlier than 54 months and not later than 60 months after the respective drawdown date for that advance. The loan bears interest at LIBOR plus a margin of 2.50% per annum and an agency fee of $10,000 is paid annually until its full repayment.

The loan is secured by a first preferred ship mortgage on the vessels, general assignments, charter assignments, operating account assignments, a corporate guarantee from Diana Shipping Inc. and manager's undertakings. The lender may also require additional security, if at any time the market value of the ships becomes less than the 125% of the aggregate of (a) the Loan and (b) the Swap Exposure. Additionally, the borrowers are required to maintain minimum liquidity of $0.4 million at each operating account, and the guarantor is required to maintain net worth of not less than $150.0 million and at least 25% of the total assets and an average cash balance of $10.0 million. Finally we are not permitted to pay any dividends that would result in an event of default or if an event of default has occurred and is continuing.

On May 24, 2013, our wholly-owned subsidiaries, Erikub Shipping Company Inc. and Wotho Shipping Company Inc., entered into a loan agreement with CEXIM and DnB to finance part of the construction cost of *Crystalia* and Hull H2529 (to be named "Atalandi") for an amount of up to $15.0 million for each vessel, depending on the vessels' market value. The loan is available until April 30, 2014.

Each advance will be repayable in 20 quarterly installments of $250,000 and a balloon of $10.0 million payable together with the last installment. The loan matures in five years from the drawdown date of each tranche, but not later than March 31, 2019, unless otherwise agreed. The loan will bear interest at LIBOR plus a margin of 3.0% per annum, and bears commitment fees of 0.2% on the total undrawn amount, a commitment fee of 0.4% on the undrawn amount to be provided by DnB, amounting to $6.0 million, and an annual agency fee of $10,000. We also paid arrangement fees of $177,000 on the date of signing the agreement.

The loan will be secured by a first preferred or statutory cross collateralized ship mortgages on the vessels together with collateral deeds of covenants, first priority deeds of assignment of the insurances, earnings and requisition compensation of the vessels, a guarantee and indemnity of Diana Shipping Inc., first priority charter assignments with duration of more than 12 months, first priority deeds of charge over the earnings accounts of the borrowers, first priority pledge over the shares of the borrowers hull cover ratio and manager's undertaking. The loan requires minimum liquidity of $0.2 million for each borrower, and $0.5 million for each vessel owned by the guarantor and financial covenants. The borrowers are not permitted to pay any dividends that would result in an event of default or would occur as a result thereof.

As of December 31, 2013 and as of the date of this annual report, we had $64.2 million and $63.0 million, respectively, of principal balance outstanding under our $82.6 million loan facility with CEXIM and DnB.

***Emporiki Bank of Greece S.A. ("Emporiki") replaced by Credit Agricole Corporate and Investment Bank ("Credit Agricole"):*** On September 13, 2011, our wholly owned subsidiary Bikar Shipping Company Inc. ("Bikar") entered into a loan agreement with Emporiki for a loan of up to $15.0 million to refinance part of the acquisition cost of the *Arethusa*. On December 13, 2012, Bikar, the Company, DSS and Credit Agricole, entered into a supplemental loan agreement to set out amendments of the loan agreement to which the parties entered into in a supplemental agreement on December 11, 2012, to provide applicability of the English law and exclusive jurisdiction of English courts and to a deed of novation to transfer the outstanding loan balance, the ISDA master swap agreement and the existing security documents from Emporiki to Credit Agricole.

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.

The loan, which is secured by an equivalent amount of cash collateral, is secured with a first priority mortgage on the *Arethusa*, charter assignment on all charters exceeding 12 months, first priority general assignment of all earnings, insurances and requisition compensation on the vessel, a corporate guarantee from Diana Shipping Inc., manager's undertaking and a first priority pledge on the earnings account and the cash collateral account. The lender may also require additional security, if at any time the market value of the vessel and the cash standing in a pledged account with the bank becomes less than the 120% of the aggregate of (a) the Loan and (b) the Swap Exposure, if any. The loan also has other restrictive and financial covenants, minimum cash of $10.0 million to be held by Diana Shipping Inc. and minimum cash of $0.5 million to be held by Bikar and/or the guarantor of the loan.

As of December 31, 2013 and as of the date of this annual report, we had $13.0 million and $12.5 million, respectively, of principal balance outstanding under our $15.0 million loan facility with Credit Agricole.

***Nordea Bank Finland Plc.("Nordea"):*** On February 7, 2012, our wholly owned subsidiary Jemo Shipping Company Inc., (the "Borrower" or "Jemo") entered into an agreement with Nordea Bank Finland Plc, London Branch, for a secured term loan facility in the principal amount of $16.1 million drawn down in February 2012, to partly finance the acquisition cost of the *Leto*. The loan has a term of five years and is repayable in 20 consecutive equal quarterly installments of $252,000 and a balloon payment of $11.1 million payable together with the final quarterly installment on February 7, 2017. On June 21, 2012, the agreement between Jemo and Nordea Bank Finland Plc, was restated and amended by a supplemental agreement in order to include Mandaringina as a new borrower and increase the loan amount to up to $26.5 million for the purpose of financing part of the acquisition cost of the *Melia*. The additional advance for Mandaringina of $10.3 million drawn down in June 2012 is repayable in 20 consecutive equal quarterly installments of $234,660 and a balloon of $5.6 million payable together with the last installment on May 7, 2017. The loan bears interest at LIBOR plus a margin of 2.5%.

On December 20, 2012, our wholly owned subsidiaries Palau Shipping Company Inc. and Guam Shipping Company Inc., entered into a new loan agreement with Nordea for an amount of $20.0 million, drawn down on December 21, 2012, to finance part of the acquisition cost of the *Amphitrite* and the *Polymnia*. The loan is repayable in 20 consecutive quarterly installments of $312,500 and a balloon installment of $13.8 million payable together with the last installment on December 21, 2017. The loan bears interest at LIBOR plus a margin of 2.9%.

The loans are secured with a corporate guarantee from Diana Shipping Inc., a first priority or first preferred mortgage on the vessels, first priority assignment of earnings, first priority pledge of the earnings account, first priority assignment of the vessels' current time charters and any subsequent charter contracts with a duration of 12 months or more, first priority assignment of insurances, first priority pledge over the shares of the borrowers and manager's letter of subordination of rights. The loans also have financial covenants, minimum liquidity of $0.5 million per vessel owned by the guarantor and require minimum hull value of 125% of the outstanding principal amount. Finally, we are not permitted to pay any dividends that would result in an event of default or if an event of default has occurred and is continuing.

As of December 31, 2013 and as of the date of this annual report, we had $42.0 million and $41.2 million, respectively, of principal balance outstanding under both loan facilities with Nordea.

***Commonwealth Bank of Australia, London Branch ("CBA"):*** On January 9, 2014, two of our wholly owned subsidiaries Taka Shipping Company Inc., and Fayo Shipping Company Inc., entered into a loan agreement with CBA, for a loan facility of up to $18.0 million to finance part of the acquisition cost of the *Melite* and *Artemis*. The loan bears interest at LIBOR plus a margin of 2.25%, and a 1% commitment fee on the undrawn loan from signing of the agreement until the drawdown date on January 13, 2014. We paid a non-refundable arrangement fee of $135,000 on signing the agreement. 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 is repayable in 24 equal consecutive quarterly installments of $195,833.33 each; and a balloon of $3.8 million payable on the date falling on the sixth anniversary of the drawdown date. Tranche B is repayable in 32 equal consecutive quarterly installments of $156,250 each and a balloon of $4.5 million payable on the date falling on the eighth anniversary of the drawdown date.

The loan is secured by first priority cross collateralized ship mortgages over the vessels, first priority assignment of all rights under any charter party greater than two years for either vessel, guarantee by Diana Shipping Inc. of the borrowers' obligations under the loan, general assignment of earnings, insurances, requisition compensation, a pledge or charge over the shares of the borrowers under the loan, and a ship manager's undertakings. The loan also requires financial covenants, minimum liquidity of the guarantor in the amount of $0.5 million per fleet vessel and $0.2 million for each borrower. As of the date of this report, we had $18.0 million outstanding under this loan.

Currently, all of our vessels, except for six, have been provided as collateral to secure our credit facilities.

As of December 31, 2013 and currently, we believe we are in compliance with all covenants relating to our loan facilities.

As of December 31, 2013, 2012 and 2011 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments. In May 2009, we entered into a five-year zero cost collar agreement, novated in March 2012, with a floor at 1% and a cap at 7.8% of a notional amount of $100.0 million to manage our exposure to interest rate changes related to our borrowings. The collar agreement is considered as an economic hedge agreement as it does not meet the criteria of hedge accounting; therefore, the change in its fair value is recognized in earnings. As of December 31, 2013 and 2012 the fair value of the swap was $0.4 million and $1.0 million, respectively. Also we incurred unrealized gain of $0.6 million in 2013, unrealized gain of $36,495 in 2012 and unrealized loss of $39,410 in 2011. Realized loss was $0.7 million for 2013, $0.6 million for 2012 and $0.7 million for 2011.

**Capital Expenditures**

We make capital expenditures from time to time in connection with our vessel acquisitions which we finance with cash from operations, debt under loan facilities that provide necessary funds at terms acceptable to us, or with funds from equity issuances. In February 2014, we took delivery of *Crystalia*, one of our vessels under construction. Currently, we have contractual obligations of $129.0 million, relating to the construction of one ice class Panamax dry bulk vessel, to be named *Atalandi*, which we expect to take delivery of in April 2014, the construction of two Newcastlemax dry bulk vessels and one Kamsarmax dry bulk vessel, which we expect to take delivery of in 2016. We expect to finance part of the construction cost of the *Crystalia* and the *Atalandi* with our $30 million loan facility we have in place with CEXIM and DnB and cash from operations. We have also received $63.0 million of proceeds, net of underwriting discounts from our offering of 2,600,000 shares of Series B Preferred Stock, which was completed in February 2014.

We incur additional 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. The loss of earnings associated with the decrease in operating days, together with the capital needs for repairs and upgrades results in increased cash flow needs which we fund with 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. After reaching historical highs in mid-2008, charter hire rates for Panamax and Capesize dry bulk vessels reached near historically low levels. For example, the Baltic Dry bulk Index, or "BDI," declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94% within a single calendar year. During 2011, the BDI remained volatile, reaching a low of 1,043 on February 4, 2011 and a high of 2,173 on October 14, 2011. On February 3, 2012, the BDI reached a 26 year low of 647, due to a combination of weak demand and further growth in vessel supply, but increased to 2,337 on December 12, 2013. On March 20, 2014, BDI stood at 1,621.

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. The recovery in China and India positively influenced the charter rates; however, global financial conditions remain volatile and demand for dry bulk services may decrease in the future. The combination of increasing dry bulk capacity (both current and expected) and decreasing demand or demand which is not offset by the increase in dry bulk capacity is likely to result in reductions in charter hire rates and, as a consequence, adversely affect our operating results.

Additionally, 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, 2013, as adjusted to reflect: (i) the shipbuilding contract we entered into on January 8, 2014, for the construction of a Kamsarmax dry bulk vessel for a contract price of $28.8 million; (ii) the drawdown of $18.0 million on January 13, 2014, under our loan facility with CBA; (iii) the payment of the delivery installment of $17.4 million plus additional costs for extras and bunkers, on the delivery of the *Crystalia*, on February 20, 2014; (iv) the new Brokerage Services Agreement between DSS and Diana Enterprises, dated March 4, 2014, but with effect from January 1, 2014; and (v) our dividend payment obligations under our Series B Preferred Shares issued in February 2014 and for the period from their issuance on February 14, 2014 until February 14, 2019 which is the earliest date on which we have the right to redeem the Series B Preferred Shares in whole or in part.

| 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 (1) | $ 451,096 | $ 47,589 | $ 269,681 | $ 66,876 | $ 66,950 |
| Estimated Interest Payments on Loan Agreements (1) | 27,092 | 7,982 | 10,726 | 4,744 | 3,640 |
| Construction contracts (2) | 129,015 | 21,724 | 107,291 | - | - |
| Broker services agreement (3) | 1,562 | 1,250 | 312 | - | - |
| Preferred dividends (4) | 28,861 | 5,080 | 11,538 | 11,538 | 705 |
| Total | $ 637,626 | $ 83,625 | $ 399,548 | $ 83,158 | $ 71,295 |

*(1)* As of December 31, 2013, we had an aggregate principal of $433.1 million of indebtedness outstanding under our loan facilities. Estimated interest payments represent projected interest payments on our long term debt, which are based on the weighted average LIBOR rate in 2013 plus the margin of our loan agreements in 2013 as well as the margin of the loan agreement we entered into with Commonwealth Bank of Australia on January 9, 2014.

*(2)* As of December 31, 2013, we had paid predelivery installments of an aggregate amount of $23.2 million for the construction of our two Panamax dry bulk carriers, plus one predelivery installment of an aggregate amount of $14.6 million for the construction of each of our two Newcastlemax dry bulk carriers. On February 20, 2014, we paid $17.4 million plus additional costs for extras and bunkers, for the delivery of one of our Panamax vessels under construction and we expect to pay the delivery installment for the other Panamax in April 2014. On January 8, 2014, we entered, through a separate wholly owned subsidiary, into a shipbuilding contract with Yangzhou Dayang Shipbuilding Co., Ltd. and Shanghai Sinopacific International Trade Co., Ltd., for the construction of a Kamsarmax dry bulk vessel of approximately 82,000 dwt for a contract price of $28.8 million. As of the date of this report, we have not paid any installments for the construction of our Kamsarmax dry bulk carrier. We expect to take delivery of our two Newcastlemax dry bulk carriers and our Kamsarmax dry bulk carrier in 2016.

*(3)* On March 4, 2014, DSS entered into an agreement with Diana Enterprises, a related party company, for the provision of brokerage services for a monthly fee of $104,166 effective from January 1, 2014, which replaced the previous agreement dated March 15, 2013. The agreement will expire on March 31, 2015.

*(4)* On February 24, 2014 we completed an offering of 2,600,000 shares of Series B Perpetual Preferred Stock, at the price of $25.0 per share, and dividends are payable at a rate equal to 8.875% per annum. At any time on or after February 14, 2019, the Series B Preferred Shares may be redeemed, in whole or in part, 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. The table above presents our obligations for dividend payments until February 14, 2019. The table above does not include the payment for the redemption, which is at our option.

### *G. Safe Harbor*

See section "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. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three year term. 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 | 72 | Class I Director, Chief Executive Officer and Chairman |
| Anastasios Margaronis | 58 | Class I Director and President |
| Ioannis Zafirakis | 42 | Class I Director, Executive Vice President and Secretary |
| Andreas Michalopoulos | 42 | Chief Financial Officer and Treasurer |
| Maria Dede | 41 | Chief Accounting Officer |
| William (Bill) Lawes | 70 | Class II Director |
| Konstantinos Psaltis | 75 | Class II Director |
| Boris Nachamkin | 80 | Class III Director |
| Apostolos Kontoyannis | 65 | Class III Director |

The term of our Class I directors expires in 2015, the term of our Class II directors expires in 2016 and the term of our Class III directors expires in 2014.

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 our Chief Executive Officer and Chairman since February 21, 2005 and as a Director since March 9, 1999 and has served as the Chief Executive Officer and Chairman of Diana Containerships Inc. since January 13, 2010. Mr. Palios also serves as an employee of Diana Shipping Services S.A. Prior to November 12, 2004, Mr. Palios was the Managing Director of Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as Chief Executive Officer. Since 1972, when he formed Diana Shipping Agencies, Mr. Palios has had the overall responsibility of our 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 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. He holds a bachelor's degree in Marine Engineering from Durham University.

**Anastasios C. Margaronis** has served as our President and as a Director since February 21, 2005 and has served as the Director and President of Diana Containerships Inc. since January 13, 2010. Mr. Margaronis also serves as an employee of Diana Shipping Services S.A. 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 insurance matters, including hull and machinery, protection and indemnity and war risks cover. 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 a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. 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 Executive Vice President and Secretary since February 14, 2008, as our Vice President and Secretary since February 21, 2005 and as a Director since March 9, 1999 and has served as the Director, Chief Operating Officer and Secretary of Diana Containerships Inc. since January 13, 2010. Mr. Zafirakis also serves as an employee of Diana Shipping Services S.A. Prior to February 21, 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as Executive Vice President. He joined Diana Shipping Agencies S.A. in 1997 where he held a number of positions in its finance and accounting department. Mr Zafirakis is also a member of the Business Advisory Committee of the MSc in International Shipping and Finance at ICMA Centre, Henley Business School, University of Reading. 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.

**Andreas Michalopoulos** has served as our Chief Financial Officer and Treasurer since March 8, 2006 and has served in these positions with Diana Containerships 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.

**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 SA, 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 and a master's degree in business administration from ALBA.

**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 (London) from 1987 until 2002. Prior to joining JPMorgan Chase, he was Global Head of Shipping Finance at Grindlays Bank. Since December 2007, he serves as an independent member of the Board of Directors and Chairman of the Audit Committee of Teekay Tankers Ltd. In January 2014, Mr Lawes also joined the board of Tanker Investments Ltd. 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. From 1981 to 2006, Mr. Psaltis served as Managing Director, and since 2006 as President, of Ormos Compania Naviera S.A., a company that specializes in operating and managing multipurpose container vessels. 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. Mr. Psaltis is a member of the Germanischer Lloyds Hellas Committee. 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.

**Boris Nachamkin** has served as a Director and as a member of our Compensation Committee since March 2005. Mr. Nachamkin was with Bankers Trust Company, New York, for 37 years, from 1956 to 1993 and was posted to London in 1968. Upon retirement in 1993, he acted as Managing Director and Global Head of Shipping at Bankers Trust. Mr. Nachamkin was also the UK Representative of Deutsche Bank Shipping from 1996 to 1998 and Senior Executive and Head of Shipping for Credit Agricole Indosuez, based in Paris, between 1998 and 2000. Previously, he was a Director of Mercur Tankers, a company which was listed on the Oslo Stock Exchange, and Ugland International, a shipping company. He also serves as Managing Director of Seatrust Shipping Services Ltd., a private consulting firm and as a U.K. Director of Marine Money, a U.S. - based ship finance publication.

**Apostolos Kontoyannis** has served as a Director and as the Chairman of our Compensation Committee and a member of our Audit Committee effective since March 2005. Since 1987, Mr. Kontoyannis has been the Chairman of Investments and Finance Ltd., a financial consultancy firm he founded, that specializes in financial and structuring issues relating to the Greek maritime industry, with offices in Piraeus and London. 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. He is an independent member of the Board of Directors of Excel Maritime Carriers Ltd. Mr. Kontoyannis holds a bachelor's degree in Finance and Marketing and a master's degree in business administration in Finance from Boston University.

### *B. Compensation*

Aggregate executive compensation (including amounts paid to Diana Enterprises pursuant to the Broker Services Agreements) for 2013, 2012 and 2011 was $3.8 million, $4.4 million, and $3.7 million, respectively. Since June 1, 2010, DSS has provided brokerage services to us pursuant to Broker Services Agreements between DSS and Diana Enterprises, a related party, as described in "Item 7B. Related Party Transactions." Under these agreements, fees for 2013, 2012 and 2011 amounted to $2.5 million, $2.4 million and $1.7 million, respectively. We consider fees under these agreements to be part of our executive compensation due to the affiliation with Diana Enterprises. We expect such fees to decrease in 2014, due to the reduced monthly fee under the current Broker Services Agreement with Diana Enterprises.

Non-employee directors receive annual fees in the amount of $52,000 plus reimbursement of their out-of-pocket expenses, since January 1, 2009. Until then their annual fees amounted to $40,000. In addition, each non-executive serving as chairman or member of the committees receives annual fees of $26,000 and $13,000, respectively, plus reimbursement of his/her out-of-pocket expenses, since January 1, 2009 compared to $20,000 and $10,000, respectively, plus reimbursement of his/her out-of-pocket expenses until 2008. For 2013, 2012 and 2011 fees and expenses of our non-executive directors amounted to $0.3 million, $0.3 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 4,001,241 shares of restricted common stock, of which 3,257,157 shares to senior management and 744,084 shares to non-employee directors. All restricted shares vest ratably over three years, except for 600,000 shares awarded in 2008 which vest ratably over a period of six years. 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 2013, 2012 and 2011, compensation cost relating to the aggregate amount of restricted stock awards amounted to $8.2 million, $8.6 million and $8.1 million, respectively. Of this compensation cost, an amount of $39,353 in 2011 related to shares awarded by Diana Containerships to members of its senior management.

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

**Equity Incentive Plan**

In February 2005, we adopted an equity incentive plan (the "Plan") for 2,800,000 common shares, which was amended and restated on October 21, 2008 and terminated in 2012 as all shares reserved had been issued. On May 2, 2011, our board of directors approved the Diana Shipping Inc. 2011 Equity Incentive Plan (the "2011 Plan"), with substantially the same terms and provisions as the amended and restated 2005 Plan. Under the 2011 Plan, an aggregate of 5,000,000 common shares were reserved for issuance, of which 3,798,759 shares of common stock are currently available for issuance.

The plan entitles the Company's employees, officers and directors to receive options to acquire the Company's common stock and is administered by the Compensation Committee of the Company's Board Directors or such other committee of the Board as may be designated by the Board to administer the Plan. Under the terms of the 2011 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. The 2011 Plan will expire 10 years from its adoption by the Board of Directors. Under the 2011 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 is an independent director. 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.

In addition, we have established a Compensation Committee comprised of two members, which is responsible for establishing executive officers' compensation and benefits. The members of the Audit Committee are Mr. William Lawes (Chairman and financial expert) and Mr. Apostolos Kontoyannis (member and financial expert) and the members of the Compensation Committee are Mr. Apostolos Kontoyannis (Chairman) and Mr. Boris Nachamkin (member).

We have established an Executive Committee comprised of the three executive directors, Mr. Simeon Palios, Mr. Anastasios Margaronis and Mr. Ioannis Zafirakis. 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. Crewing and Shore Employees*

We crew our vessels primarily with Greek officers and Filipino officers and seamen. We are responsible for identifying our Greek officers, which are hired by our vessel owning subsidiaries. Our Filipino officers and seamen are referred to us by Crossworld Marine Services Inc., an independent crewing agency. The crewing agency handles each seaman's training, travel and payroll. We 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 our fleet manager and the number of seafaring personnel employed by our vessel owning subsidiaries as at December 31, 2013, 2012 and 2011.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Shoreside | 84 | 82 | 68 |
| Seafaring | 848 | 713 | 558 |
| Total | 932 | 795 | 626 |

***E. Share Ownership***

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

## Item 7. Major Shareholders and Related Party Transactions

***A. Major Shareholders***

The following table sets forth current information regarding (i) the owners of more than five percent of our common stock that we are aware of and (ii) the total amount of common stock owned by all of our officers and directors, individually and as a group. All of the 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) | 15,442,013 | 18.5% |
| | Massachusetts Financial Services Company (2) | 8,498,530 | 10.2% |
| | | | |
| | All officers and directors as a group (3) | 17,374,405 | 20.8% |

*(1)* Currently, Mr. Simeon Palios beneficially owns 1,155,473 restricted common shares granted through the Company's Equity Incentive Plan and 14,286,540 shares indirectly through Corozal Compania Naviera S.A. ("Corozal") and Ironwood Trading Corp. ("Ironwood") over which Mr. Simeon Palios exercises sole voting and dispositive power. As of December 31, 2011, 2012, 2013 and currently, Mr. Simeon Palios owned indirectly through Corozal and Ironwood 17.3%, 17.4%, 17.2% and 17.1%, respectively, of our outstanding common stock.

*(2)* Massachusetts Financial Services Company ("MFS") has filed a Schedule 13G/A on February 13, 2014 reporting their ownership of 10.3% of our outstanding common stock as of December 31, 2013.

*(3)* Mr. Simeon Palios is our only director or officer that beneficially owns 5% or more of our outstanding common stock. Mr. Anastasios Margaronis, our President and a member of our board of directors, and Mr. Ioannis Zafirakis, our Executive Vice President and a member of our board of directors, are indirect shareholders through ownership of stock held in Corozal Compania Naviera S.A., which is the registered owner of some of our common stock. Mr. Margaronis and Mr. Zafirakis do not have dispositive or voting power with regard to shares held by Corozal Compania S.A. and, accordingly, are not considered to be beneficial owners of our common shares held through Corozal Compania Naviera S.A. Messrs. Lawes, Psaltis, Nachamkin and Kontoyannis, each a non-executive director of ours, and Messrs. Margaronis, Zafirakis and Michalopoulos, each executive officers of ours, each own less than 1% of our outstanding common stock. In addition, Mr. Zafirakis owns 40,000 Series B Preferred Shares, or 1.5% of the outstanding Series B Preferred Shares, Mr. Michalopoulos owns 28,000 Series B Preferred Shares, or 1.1% of the outstanding Series B Preferred Shares. All officers and directors as a group own 89,850 Series B Preferred Shares, or 3.5% of the outstanding Series B Preferred Shares.

As of March 26, 2014, we had 155 shareholders of record, 140 of which were located in the United States and held an aggregate of 66,110,948 of our common shares, representing 79.3% 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 66,081,442 of our common shares as of March 26, 2014. 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*

**Diana Enterprises Inc.**

On June 1, 2010, DSS entered into two agreements with Diana Enterprises, a company controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios, to provide brokerage services. The first agreement was made on behalf of Diana Shipping Inc. for an annual fee of $1.7 million and the second agreement was made on behalf of Diana Containerships, for an annual fee of $1.04 million. In February 2012, the agreement between Diana Enterprises and DSS was terminated and replaced with a new agreement under which Diana Enterprises provided brokerage services for an annual fee of $2.4 million applied retroactively from January 1, 2012 and the fees were paid quarterly in advance. Effective January 19, 2011 after the partial spin-off of Diana Containerships, the fees relating to Diana Containerships were reimbursed to us by Diana Containerships and did not constitute part of our expenses, until March 1, 2013, when the agreement was terminated. In March 2013, the agreement between DSS and Diana Enterprises was terminated and was replaced by a new agreement with effect from March 1, 2013 until March 31, 2014 and for a monthly fee of $0.2 million payable quarterly in advance. On March 4, 2014, this agreement was also terminated effective January 1, 2014 and the monthly fee payable to Diana Enterprises since that date was reduced to $104,166, payable quarterly in advance and until March 31, 2015, when the agreement terminates. During 2013, 2012 and 2011 brokerage fees amounted to $2.5 million, $2.4 million and $1.7 million, respectively.

**Altair Travel Agency S.A.**

Altair Travel Agency S.A., or Altair, an affiliated entity that is controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios, provides us with travel related services. Travel related expenses in 2013, 2012 and 2011 amounted to $2.6 million, $3.0 million and $1.8 million, respectively. 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 in an arm's length transaction.

**Diana Containerships, Administrative Services Agreement and Non-Competition Agreement**

On April 6, 2010, Diana Containerships entered into an Administrative Services Agreement with DSS, whereby DSS provided to it accounting, administrative, financial reporting and other services necessary for the operation of its business. Diana Containerships paid DSS a monthly fee of $10,000 for these administrative services. The initial term of the agreement was for a period of one year and automatically renewed for successive twelve month periods until its termination on March 1, 2013.

We and Diana Containerships had entered into a non-competition agreement whereby we agreed that, during the term of the Administrative Services Agreement and any vessel management agreements DSS entered into with Diana Containerships, and for six months thereafter, we would not acquire or charter any vessel, or otherwise operate in, the containership sector and Diana Containerships would not acquire or charter any vessel, or otherwise operate in, the dry bulk sector. On March 1, 2013, we entered into an amended and restated non-competition agreement with Diana Containerships, where we have agreed that, as long as any of our current or continuing executive officers also serves as an executive for Diana Containerships Inc., and for six months thereafter, we will not acquire or charter any vessel, or otherwise operate in, the containership sector and Diana Containerships will not acquire or charter any vessel, or otherwise operate in, the dry bulk sector.

Prior to the partial spin-off of Diana Containerships on January 18, 2011 and its consequent de-consolidation from our financial statements, such administrative services fees received by DSS were eliminated from our consolidated financial statements as intercompany transactions. After the de-consolidation of Diana Containerships and until March 1, 2013, such fees constituted part of our revenues and have been included in Other revenues. For 2013, 2012 and 2011, Other revenues amounted to $0.4 million, $2.4 million and of $1.1 million, respectively.

**Diana Containerships, Vessel Management Agreements**

DSS also provided commercial and technical management services for Diana Containerships' vessels under separate vessel management agreements with Diana Containerships' vessel owning subsidiaries. The vessel management agreements were terminated on March 1, 2013. Commercial management included, among other things, negotiating charters for vessels, monitoring the performance of vessels under charter, and managing Diana Containerships' relationships with charterers, obtaining insurance coverage for Diana Containerships' vessels, as well as supervision of the technical management of the vessels. Technical management included managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging the hire of qualified officers and crew, arranging and supervising drydocking and repairs, arranging for the purchase of supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. Pursuant to each vessel management agreement, DSS received a commission of 1% of the gross hire and freight earned by each vessel and a technical management fee of $15,000 per vessel per month for vessels in operation.

Prior to the partial spin-off of Diana Containerships on January 18, 2011 and its consequent de-consolidation from our financial statements, such management fees received by DSS were eliminated from our consolidated financial statements as intercompany transactions. After the de-consolidation of Diana Containerships and until March 1, 2013, such fees constituted part of our revenues and have been included in Other revenues. For 2013, 2012 and 2011, Other revenues amounted to $0.4 million, $2.4 million and of $1.1 million, respectively.

**Diana Containerships, Loan Agreement**

On May 20, 2013, we entered into a loan agreement with Eluk Shipping Company Inc., a subsidiary of Diana Containerships, to provide to it an unsecured loan of up to $50.0 million to be used for general corporate purposes and working capital, which was drawn on August 20, 2013. The loan, which was approved by the Independent Committee of the Board of Directors and the Board of Directors, matures on the fourth anniversary of the draw down date, on August 20, 2017 and bears interest at LIBOR plus a margin of 5% per annum. Under the agreement, we also receive a back-end fee equal to 1.25% per annum on the outstanding amount, receivable on the repayment date of such amount. The unsecured loan is guaranteed by Diana Containerships, and Diana Containerships and its subsidiaries may not incur additional indebtedness during the term of the loan without our prior consent.

For the period from the drawdown of the loan on August 20, 2013 to December 31, 2013, income from interest and fees amounted to $1.2 and is included in Interest and other income in the 2013 consolidated statement of operations. As at December 31, 2013 and the date of this report, the loan receivable from Diana Containerships amounted to $50.0 million.

### *C. Interests of Experts and Counsel*

Not Applicable.

## Item 8. Financial information

### *A. Consolidated statements and other financial information*

See Item 18.

**Legal Proceedings**

On August 8, 2013, DSS was found guilty on felony counts and on December 5, 2013 was sentenced by the United States District Court in Norfolk, Virginia to a fine of $1.1 million, of which $850,000 has been paid with the balance due to be paid within six months of the date of the sentence, and a period of probation of three years and six months, as a result of a conviction in which DSS was held vicariously liable for the actions of the chief engineer and second assistant engineer of the M/V *Thetis*, who were found guilty by the Court of violating several U.S. statutes and regulations in failing to properly handle waste oils, maintain required records and for obstruction of justice. In addition, the sentence includes a requirement for the duration of the probation period to maintain an enhanced system subject to independent audit for managing waste oils on each vessel managed by DSS. We do not expect that the implementation of the enhanced monitoring system will result in a material increase in costs during the probation period of three years and six months.

Except as described above, 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 plans for future growth and other factors. As of November 2008, our board of directors has suspended the payment of dividends on our common shares, in order to position us better in a deteriorating market. We believe that this suspension enhances our flexibility by permitting cash flow that would have been devoted to dividends to be used for opportunities that may arise in the current marketplace, such as funding our operations, acquiring vessels or servicing our debt. In December 2010, we distributed 2,667,015 shares of Diana Containerships, or 80% of our interest, as a stock dividend to all shareholders on a pro-rata basis and on January 3, 2011, Diana Containerships started to trade in the Nasdaq Global Market on a "when issued" basis and on January 19, 2011, on a "regular way" basis. As a result of this partial spin-off, Diana Containerships, effective January 19, 2011, is no longer consolidated to our consolidated financial statements.

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 credit facilities 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 15% 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. We note that legislation was previously introduced in the United States Congress, which, if enacted in its present form, would preclude dividends received after the date of enactment from qualifying as "qualified dividend income." 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.

Dividends on our Series B Preferred Shares accrue and are cumulative from the date the Series B Preferred Shares are originally issued and are payable on each January 15, April 15, July 15 and October 15, which we refer to as Dividend Payment Dates, 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. At any time on or after 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.

## Item 9. The Offer and Listing

The trading market for shares of our common stock is the New York Stock Exchange, on which our shares trade under the symbol "DSX". The following table sets forth the required disclosure with respect to the high and low closing prices for shares of our common stock, as reported by the New York Stock Exchange:

| | 2014 | | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Period** | **High** | **Low** | **High** | **Low** | **High** | **Low** | **High** | **Low** | **High** | **Low** | **High** | **Low** |
| Annual | | | $ 13.64 | $ 7.47 | $ 9.87 | $ 6.31 | $ 12.64 | $ 6.93 | $ 16.27 | $ 11.19 | $ 18.52 | $ 10.15 |
| 1st quarter | | | $ 10.71 | $ 7.47 | $ 9.87 | $ 7.80 | | | | | | |
| 2nd quarter | | | 10.79 | 9.12 | 8.90 | 7.07 | | | | | | |
| 3rd quarter | | | 12.83 | 9.65 | 8.09 | 6.31 | | | | | | |
| 4th quarter | | | 13.64 | 10.49 | 7.64 | 6.53 | | | | | | |

| | | | | |
|---|---|---|---|---|
| September | | | $ 12.83 | $ 11.22 |
| October | | | 12.60 | 11.30 |
| November | | | 12.02 | 10.49 |
| December | | | 13.64 | 11.14 |
| January | $ 13.31 | $ 11.61 | | |
| February | 13.07 | 11.90 | | |
| March* | 13.55 | 11.75 | | |

* For the period from March 1, 2014 until March 26, 2014.

Our Series B Preferred Stock has been trading on the New York Stock Exchange under the symbol "DSXPRB" since February 21, 2014. The following table shows the high and low closing sales prices for our Series B Preferred Stock during the period from February 21, 2014 to March 26, 2014:

| Period | High | Low |
|---|---|---|
| February 21, 2014 to February 28, 2014 | $ 24.90 | $ 24.57 |
| March 1, 2014 to March 26, 2014 | 25.30 | 24.90 |

## 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 Securities and Exchange Commission on May 29, 2008 with file number 001-32458, and our current amended and restated bylaws have been filed as exhibit 1.2 to our Form 6-K filed with the Securities and Exchange Commission on December 4, 2007 with file number 001-32458. The information contained in these exhibits is incorporated by reference herein.

Information regarding the rights, preferences and restrictions attaching to each class of our common shares is described in section "Description of Capital Stock" in our Registration Statement on Form F-1 filed with the Securities and Exchange Commission on November 23, 2005 with file number 333-129726, provided that since the date of that Registration Statement, the number of our outstanding shares of common stock has increased to 83,391,370. 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 Commission on February 13, 2014 and incorporated by reference herein. We have also filed with the Securities and Exchange Commission our amended and restated stockholders rights agreement as exhibit 4.5 to our Form 8-A12B/A filed on October 7, 2008 and amended on October 10, 2008, 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. 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 Chairman and Chief Executive Officer, Mr. Simeon Palios and Diana Containerships.

### *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 common stock.

### *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, with respect to 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 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, 2013, 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, 3.7% of the Company's shipping income would be treated as derived from U.S. sources for the year ended December 31, 2013. 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 approximately $238,000 for the year ended December 31, 2013.

*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 2013 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, which is the sole class of issued and outstanding stock, was "primarily traded" on the New York Stock Exchange, or "NYSE", during the 2013 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 2013 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 U.S. Securities and Exchange Commission.

During the 2013 taxable year, 5% Shareholders did not, individually or collectively, own 50% or more of the Company's common stock for more than half the number of days. Therefore, the Company is not subject to the 5% Override Rule, and therefore the Company believes that it has satisfied the Publicly Traded Test for the 2013 taxable year. However, there is 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 2013 taxable year, and intends to take this position on its 2013 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 2013 taxable year and in the absence of exemption under Section 883 of the Code, the Company would be subject to approximately $238,000 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 corporate rates of up to 35%. 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 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 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 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.

*3.8% Tax on Net Investment Income*

For taxable years beginning after December 31, 2012, a U.S. Holder that is an individual, estate, or, in certain cases, a trust, will generally be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's net investment income for the taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000). A U.S. Holder's net investment income will generally include distributions made by the Company which constitute a dividend for U.S. federal income tax purposes and gain realized from the sale, exchange or other disposition of our common stock. This tax is in addition to any income taxes due on such investment income.

If you are a U.S. Holder that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of the 3.8% tax on net investment income to the ownership and disposition of our common stock.

*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.

Pursuant to recently enacted legislation, 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, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website http://www.sec.gov. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330 and you may obtain copies at prescribed rates.

### *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 interest rates during 2013 could have increased our interest expense from $8.1 million to $12.6 million. An increase of 1% in interest rates during 2012 could have increased our interest expense from $7.3 million to $11.8 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.

As of December 31, 2013, 2012 and 2011 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments. In May 2009, we entered into a five-year zero cost collar agreement, novated in March 2012, with a floor at 1% and a cap at 7.8% of a notional amount of $100.0 million to manage our exposure to interest rate changes related to our borrowings. The collar agreement is considered as an economic hedge agreement as it does not meet the criteria of hedge accounting; therefore, the change in its fair value is recognized in our results of operations. As of December 31, 2013 and 2012 the fair value of the swap was $0.4 million and $1.0 million, respectively. Also we incurred unrealized gain of $0.6 million in 2013, unrealized gain of $36,495 in 2012 and unrealized loss of $39,410 in 2011. Realized loss was $0.7 million for 2013, and $0.6 million for 2012 and $0.7 million for 2011. Should LIBOR interest rates remain at levels below 1% which is our floor, we will continue to incur losses from this financial instrument until May 27, 2014 when it terminates.

**Currency and Exchange Rates**

We generate all of our revenues in U.S. dollars but currently incur about half of our operating expenses (around 48% in 2013 and 46% in 2012) and a significant portion of our general and administrative expenses (around 40% in 2013 and 38% in 2012) 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 2013 and 2012, these non US dollar expenses represented 28% and 18%, 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 Securities Exchange Act of 1934) 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 Securities Exchange Act of 1934, as amended, 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 accounting principles generally accepted in the United States.

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. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2013 is effective.

The registered public accounting firm that audited the financial statements included in this annual report containing the disclosure required by this Item 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 consolidated financial statements, Ernst Young (Hellas) Certified Auditors Accountants S.A., appears under Item 18, and such report is incorporated herein by reference.

**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 they are both considered to be "independent" according to the SEC rules.

## Item 16B. Code of Ethics

We have adopted a code of ethics that applies to officers and employees. Our code of ethics is posted in our website: http://www.dianashippinginc.com, under "Corporate Governance" and was filed as Exhibit 11.1 to the 2004 annual report on Form 20-F filed with the Securities and Exchange Commission on June 29, 2005 with number 001-32458. 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

Our principal Accountants, Ernst and Young (Hellas), Certified Auditors Accountants S.A., have billed us for audit services.

Audit fees in 2013 and 2012 amounted to € 373,000 and € 383,100, or approximately $494,289 and $523,150, respectively, and relate to audit services provided in connection with timely SAS 100 reviews, the audit of our consolidated financial statements, the audit of internal control over financial reporting, as well as audit services for Company's filings with the SEC.

The Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the 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.

## 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 New York Stock Exchange.

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

Not applicable.

## Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

## Item 16G. Corporate Governance

Statement of Significant Differences between Diana Shipping Inc.'s Corporate Governance Practices and the New York Stock Exchange, Inc. (the "NYSE") Corporate Governance Standards

***Overview***

Pursuant to an exception for foreign private issuers, Diana Shipping Inc., a Marshall Islands company (the "Company") is not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. However, pursuant to Section 303.A.11 of the NYSE Listed Company Manual, we are required to state any significant differences between our corporate governance practices and the practices required by the NYSE. 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 and compensation 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.

***Nominating / Corporate Governance Committee***

The NYSE requires that a listed company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Marshall Islands law and our bylaws, we do not currently have a nominating or corporate governance committee.

***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.

## Item 16H. Mine Safety Disclosure

Not applicable.

## PART III

### Item 17. Financial Statements

See Item 18.

### Item 18. Financial Statements

The following financial statements beginning on page F-1 are filed as a part of this annual report.

### Item 19. Exhibits

Note:

| 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) |
| 1.3 | Statement of Designation of the 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares (13) |
| 2.1 | Form of Share Certificate (10) |
| 4.1 | Second Amended and Restated Stockholders Rights Agreement dated October 7, 2008 (4) |
| 4.2 | Amended and Restated 2005 Stock Incentive Plan (6) |
| 4.3 | 2011 Stock Incentive Plan (11) |
| 4.4 | Form of Technical Manager Purchase Option Agreement (5) |
| 4.5 | Form of Management Agreement (3) |
| 4.6 | Loan Agreement with Royal Bank of Scotland dated February 18, 2005 (5) |
| 4.7 | Amending and Restating Loan Agreement with Royal Bank of Scotland dated May 24, 2006 (8) |
| 4.8 | Supplemental Agreement with the Royal Bank of Scotland dated January 30, 2007 (7) |
| 4.9 | Sales Agency Financing Agreement dated April 23, 2008 (9) |
| 4.10 | Loan Agreement with Deutsche Bank dated October 8, 2009 (10) |
| 4.11 | Loan Agreement with Bremer Landesbank dated October 22, 2009 (10) |
| 4.12 | Loan Agreement with the Export-Import Bank of China and DnB Nor Bank ASA dated October 2, 2010 (10) |
| 4.13 | Loan Agreement with Emporiki Bank of Greece S.A. dated September 13, 2011 (11) |
| 4.14 | Loan Agreement with Nordea Bank Finland Plc dated February 7, 2012 (11) |
| 4.15 | Supplemental Loan Agreement with Nordea Bank Finland Plc dated June 21, 2012 (12) |
| 4.16 | Loan Agreement with Nordea Bank Finland Plc dated December 20, 2012 (12) |
| 4.17 | Loan Agreement, dated June 18, 2013, by and among Tuvalu Shipping Company Inc., Jabat Shipping Company Inc., and Deutsche Bank AG dated June 18, 2013 |
| 4.18 | 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 |
| 4.19 | Loan Agreement, dated January 9, 2014, by and among Taka Shipping Company Inc., Fayo Shipping Company Inc., and Commonwealth Bank of Australia |

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| 4.20 | Loan Agreement, dated May 20, 2013, by and between Eluk Shipping Company Inc. and Diana Shipping Inc. |
| 4.21 | Administrative Services Agreement, dated October 1, 2013, by and between Diana Shipping Inc. and Diana Shipping Services S.A. |
| 4.22 | Brokerage Services Agreement, dated March 15, 2013, by and among Diana Shipping Services S.A. and Diana Enterprises Inc. |
| 4.23 | Brokerage Services Agreement, dated March 4, 2014, by and among Diana Shipping Services S.A. and Diana Enterprises Inc. |
| 4.24 | Amended and Restated Non-Competition Agreement, by and between Diana Shipping Inc. and Diana Containerships Inc. |
| 8.1 | Subsidiaries of the Company |
| 11.1 | Code of Ethics (10) |
| 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, 2013, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2012 and 2013; (ii) Consolidated Statements of Operations for the years ended December 31, 2011, 2012 and 2013; (iii) Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2011, 2012 and 2013; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2011, 2012 and 2013; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2012 and 2013; and (v) the Notes to Consolidated Financial Statements |

(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 an Exhibit to the Company's Amended Registration Statement (File No. 123052) on March 15, 2005.
(4) Filed as Exhibit 4.5 to the Company's Form 8-A12B/A filed on October 7, 2008 and amended on October 10, 2008 (File No. 001-32458).
(5) Filed as an Exhibit to the Company's Registration Statement (File No. 123052) on March 1, 2005.
(6) Filed as Exhibit 1 to the Company's Form 6-K filed on October 27, 2008.
(7) Filed as Exhibit VI to the Company's Form 6-K filed on March 19, 2007.
(8) Filed as Exhibit 4.10 to the Company's 2007 Annual Report on Form 20-F (File No. 001-32458) on March 14, 2008.
(9) Filed as Exhibit 2 to the Company's Form 6-K filed on April 24, 2008.
(10) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 30, 2010.
(11) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on April 20, 2012.
(12) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 22, 2013.
(13) Filed as an Exhibit 3.3 to the Company's Form 8-A filed on February 13, 2014.

**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/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer
Dated: March 27, 2014

DIANA SHIPPING INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Diana Shipping Inc.

We have audited the accompanying consolidated balance sheets of Diana Shipping Inc. (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income/ (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diana Shipping Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, 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), Diana Shipping Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated March 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Athens, Greece
March 27, 2014

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Stockholders of Diana Shipping Inc.

We have audited Diana Shipping Inc.'s (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Diana Shipping Inc.'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 appearing under Item 15.b) in the Company's annual report on Form 20-F for the year ended December 31, 2013. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Diana Shipping Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Diana Shipping Inc. as of December 31, 2013 and 2012 and the related consolidated statements of operations and comprehensive income/ (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013 and our report dated March 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Athens, Greece
March 27, 2014

**DIANA SHIPPING INC.**
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012
(Expressed in thousands of U.S. Dollars – except for share and per share data)

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents (Note 2(e)) | $ 240,633 | $ 446,624 |
| Accounts receivable, trade (Note 2(f)) | 701 | 6,590 |
| Due from related parties (Note 4) | 86 | 613 |
| Inventories (Note 2(g)) | 5,959 | 5,275 |
| Prepaid expenses and other assets | 4,489 | 4,834 |
| Prepaid charter revenue (Notes 2(i) and 8) | - | 3,050 |
| **Total current assets** | 251,868 | 466,986 |
| **FIXED ASSETS:** | | |
| Advances for vessels under construction and acquisitions and other vessel costs (Note 5) | 38,862 | 11,502 |
| Vessels (Note 6) | 1,686,590 | 1,515,370 |
| Accumulated depreciation (Note 6) | (366,215) | (304,232) |
| **Vessels' net book value (Note 6)** | 1,320,375 | 1,211,138 |
| Property and equipment, net (Note 7) | 22,826 | 22,774 |
| **Total fixed assets** | 1,382,063 | 1,245,414 |
| OTHER NON-CURRENT ASSETS: | | |
| Due from related parties, non-current (Note 4) | 50,233 | - |
| Investment in Diana Containerships Inc. (Note 3) | 15,640 | 24,734 |
| Other non-current assets | 793 | - |
| Deferred charges, net | 1,384 | 3,365 |
| Prepaid charter revenue, non-current (Notes 2(i) and 8) | - | 2,303 |
| **Total assets** | $ 1,701,981 | $ 1,742,802 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES:** | | |
| Current portion of long-term debt (Note 9) | $ 46,532 | $ 45,032 |
| Accounts payable, trade and other | 7,409 | 6,993 |
| Due to related parties (Note 4) | 221 | 264 |
| Accrued liabilities | 4,805 | 5,284 |
| Deferred revenue | 3,278 | 2,827 |
| Fair value of derivative instruments (Note 16) | 378 | 994 |
| Other current liabilities | 129 | 83 |
| **Total current liabilities** | 62,752 | 61,477 |
| Long-term debt, net of current portion and deferred financing costs (Note 9) | 385,025 | 414,080 |
| Other non-current liabilities | 812 | 821 |
| Commitments and contingencies (Note 10) | - | - |
| **STOCKHOLDERS' EQUITY:** | | |
| Preferred stock, $0.01 par value; 25,000,000 shares authorized, none issued | - | - |
| Common stock, $0.01 par value; 200,000,000 shares authorized and 82,841,370 and 82,233,424 issued and outstanding at December 31, 2013 and 2012, respectively (Note 11) | 828 | 822 |
| Additional paid-in capital | 926,204 | 918,007 |
| Other comprehensive income | 164 | 194 |
| Retained earnings | 326,196 | 347,401 |
| **Total stockholders' equity** | 1,253,392 | 1,266,424 |
| **Total liabilities and stockholders' equity** | $ 1,701,981 | $ 1,742,802 |

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, 2013, 2012 and 2011
(Expressed in thousands of U.S. Dollars – except for share and per share data)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **REVENUES:** | | | |
| Time charter revenues | $ 164,005 | $ 220,785 | $ 255,669 |
| Other revenues (Note 4(b)) | 447 | 2,447 | 1,117 |
| **EXPENSES:** | | | |
| Voyage expenses (Note 12) | 8,119 | 8,274 | 10,597 |
| Vessel operating expenses (Note 12) | 77,211 | 66,293 | 55,375 |
| Depreciation and amortization of deferred charges (Note 2) | 64,741 | 62,010 | 55,278 |
| General and administrative expenses | 23,724 | 24,913 | 25,123 |
| Foreign currency gain | (690) | (1,374) | (503) |
| **Operating income / (loss)** | $ (8,653) | $ 63,116 | $ 110,916 |
| **OTHER INCOME / (EXPENSES):** | | | |
| Interest and finance costs (Note 13) | (8,140) | (7,618) | (4,924) |
| Interest and other income (Note 4(b)) | 1,800 | 1,432 | 1,033 |
| Loss from derivative instruments (Note 16) | (118) | (518) | (737) |
| Income/(loss) from investment in Diana Containerships Inc. (Note 3) | (6,094) | (1,773) | 1,207 |
| **Total other expenses, net** | $ (12,552) | $ (8,477) | $ (3,421) |
| **Net income / (loss)** | $ (21,205) | $ 54,639 | $ 107,495 |
| Loss assumed by non-controlling interests | - | - | 2 |
| **Net income / (loss) attributed to Diana Shipping Inc.** | $ (21,205) | $ 54,639 | $ 107,497 |
| **Earnings / (loss) per common share, basic and diluted** (Note 14) | $ (0.26) | $ 0.67 | $ 1.33 |
| **Weighted average number of common shares, basic** (Note 14) | 81,328,390 | 81,083,485 | 81,081,774 |
| **Weighted average number of common shares, diluted** (Note 14) | 81,328,390 | 81,083,485 | 81,124,348 |

**DIANA SHIPPING INC.**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)
For the year ended December 31, 2013, 2012 and 2011
(Expressed in thousands of U.S. Dollars)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net income / (loss)** | $ (21,205) | $ 54,639 | $ 107,495 |
| Comprehensive loss assumed by non-controlling interests | - | - | 2 |
| Other comprehensive income/(loss) (Actuarial gain/(loss)) | (30) | 306 | (96) |
| **Comprehensive income/(loss)** | $ (21,235) | $ 54,945 | $ 107,401 |

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

**DIANA SHIPPING INC.**
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2013, 2012 and 2011
(Expressed in thousands of U.S. Dollars – except for share and per share data)

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | # of **Shares** | **Par Vale** | **Additional Paid-in Capital** | **Other Comprehensive Income/ (Loss)** | **Retained Earnings** | **Diana Shipping Inc. Total Equity** | **Non Controlling Interests** | **Total Equity** |
| **BALANCE, December 31, 2010** | 81,955,813 | $ 820 | $ 908,467 | $ (16) | $ 222,246 | $ 1,131,517 | $ 38,413 | $ 1,169,930 |
| Net income / (loss) | - | $ - | $ - | $ - | $ 107,497 | $ 107,497 | $ (2) | $ 107,495 |
| Issuance of restricted and other common stock and compensation cost | 617,695 | 6 | 8,141 | - | - | 8,147 | - | 8,147 |
| Stock repurchased and retired | (154,091) | (2) | (1,185) | - | - | (1,187) | - | (1,187) |
| Spin-off of Diana Containerships Inc. | - | - | (19) | - | (36,981) | (37,000) | (38,411) | (75,411) |
| Actuarial loss | - | - | - | (96) | - | (96) | - | (96) |
| **BALANCE, December 31, 2011** | 82,419,417 | $ 824 | $ 915,404 | $ (112) | $ 292,762 | $ 1,208,878 | $ - | $ 1,208,878 |
| Net income | - | $ - | $ - | $ - | $ 54,639 | $ 54,639 | $ - | $ 54,639 |
| Issuance of restricted stock and compensation cost | 667,614 | 7 | 8,638 | - | - | 8,645 | - | 8,645 |
| Stock repurchased and retired | (853,607) | (9) | (6,035) | - | - | (6,044) | - | (6,044) |
| Actuarial gain | - | - | - | 306 | - | 306 | - | 306 |
| **BALANCE, December 31, 2012** | 82,233,424 | $ 822 | $ 918,007 | $ 194 | $ 347,401 | $ 1,266,424 | $ - | $ 1,266,424 |
| Net loss | - | $ - | $ - | $ - | $ (21,205) | $ (21,205) | $ - | $ (21,205) |
| Issuance of restricted stock and compensation cost (Note 11) | 607,946 | 6 | 8,197 | - | - | 8,203 | - | 8,203 |
| Actuarial loss | - | - | - | (30) | - | (30) | - | (30) |
| **BALANCE, December 31, 2013** | 82,841,370 | $ 828 | $ 926,204 | $ 164 | $ 326,196 | $ 1,253,392 | $ - | $ 1,253,392 |

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, 2013, 2012 and 2011
(Expressed in thousands of U.S. Dollars)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Net income / (loss) | $ (21,205) | $ 54,639 | $ 107,495 |
| Adjustments to reconcile net income / (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization of deferred charges | 64,741 | 62,010 | 55,278 |
| Amortization of financing costs | 473 | 379 | 278 |
| Amortization of free lubricants benefit | (98) | (180) | (115) |
| Compensation cost on restricted stock (Note 11) | 8,203 | 8,645 | 8,095 |
| Actuarial gain / (loss) | (30) | 306 | (96) |
| Change in fair value of derivative instruments | (616) | (36) | 39 |
| Loss / (income) from investment in Diana Containerships Inc., net of dividends receivable (Note 3) | 5,094 | 2,273 | (707) |
| (Increase) / Decrease in: | | | |
| Receivables | 5,889 | (1,022) | (5,982) |
| Due from related parties | 294 | (350) | 24 |
| Inventories | (684) | (467) | (737) |
| Prepaid expenses and other assets | 345 | (2,514) | (1,404) |
| Prepaid charter revenue | 5,353 | 3,056 | 3,050 |
| Other non-current assets | (793) | - | - |
| Increase / (Decrease) in: | | | |
| Accounts payable | 416 | (134) | 1,833 |
| Due to related parties | (43) | 38 | (53) |
| Accrued liabilities | (479) | 533 | 297 |
| Deferred revenue | 451 | (5,309) | (9,489) |
| Other liabilities | 135 | 99 | (489) |
| Drydock costs | (46) | (2,080) | (3,087) |
| **Net Cash provided by Operating Activities** | $ 67,400 | $ 119,886 | $ 154,230 |
| | | | |
| **Cash Flows from Investing Activities:** | | | |
| Payments for vessel acquisitions, improvements and construction (Notes 5 and 6) | (198,581) | (171,195) | (58,284) |
| Cash disposed-off upon partial spin-off of Diana Containerships Inc. | - | - | (12,024) |
| Acquisition of additional interest in Diana Containerships Inc. (Note 3) | - | - | (20,000) |
| Cash dividends from investment in Diana Containerships Inc. (Note 3) | 4,000 | 2,835 | 100 |
| Loan to Diana Containerships Inc. (Note 4) | (50,000) | - | - |
| Payments for property and equipment (Note 7) | (575) | (1,553) | (220) |
| **Net Cash used in Investing Activities** | $ (245,156) | $ (169,913) | $ (90,428) |
| | | | |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from long-term debt (Note 9) | 18,000 | 118,550 | 15,000 |
| Proceeds from dividend reinvestment | - | - | 20 |
| Payments for repurchase of common stock (Note 11) | - | (6,044) | (1,187) |
| Financing costs | (452) | (557) | (45) |
| Loan payments (Note 9) | (45,783) | (31,972) | (6,330) |
| **Net Cash provided by / (used in) Financing Activities** | $ (28,235) | $ 79,977 | $ 7,458 |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | (205,991) | 29,950 | 71,260 |
| | | | |
| **Cash and cash equivalents at beginning of the year** | 446,624 | 416,674 | 345,414 |
| | | | |
| **Cash and cash equivalents at end of the year** | $ 240,633 | $ 446,624 | $ 416,674 |
| | | | |
| **SUPPLEMENTAL CASH FLOW INFORMATION** | | | |
| **Cash paid during the year for:** | | | |
| **Interest payments, net of amounts capitalized** | $ 7,169 | $ 6,709 | $ 4,630 |

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

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

**1. Basis of Presentation and General Information**

The accompanying consolidated financial statements include the accounts of Diana Shipping Inc. ("Diana" or "DSI") and its wholly-owned and beneficially-owned subsidiaries (collectively, the "Company"). Diana 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 mainly through the ownership of dry bulk carrier vessels. The Company also operates its own fleet through Diana Shipping Services S.A., a wholly owned subsidiary. As at December 31, 2013, the following subsidiaries are included in the consolidation:

| a/a | Company | Vessel | Flag | Dwt | Date Built | Date Acquired | Place of Incorporation |
|---|---|---|---|---|---|---|---|
| | | | PANAMAX VESSELS | | | | |
| 1 | Panama Compania Armadora SA | Oceanis | Bahamas | 75,211 | May 2001 | May 2001 | Panama |
| 2 | Husky Trading SA | Triton | Bahamas | 75,336 | Mar 2001 | Mar 2001 | Panama |
| 3 | Changame Compania Armadora SA | Thetis | Bahamas | 73,583 | Aug 2004 | Nov 2005 | Panama |
| 4 | Buenos Aires Compania Armadora SA | Alcyon | Bahamas | 75,247 | Feb 2001 | Feb 2001 | Panama |
| 5 | Skyvan Shipping Company SA | Nirefs | Bahamas | 75,311 | Jan 2001 | Jan 2001 | Panama |
| 6 | Cypres Enterprises Corp. | Protefs | Bahamas | 73,630 | Aug 2004 | Aug 2004 | Panama |
| 7 | Urbina Bay Trading SA | Erato | Bahamas | 74,444 | Aug 2004 | Nov 2005 | Panama |
| 8 | Chorrera Compania Armadora SA | Dione | Greek | 75,172 | Jan 2001 | May 2003 | Panama |
| 9 | Darien Compania Armadora SA | Calipso | Bahamas | 73,691 | Feb 2005 | Feb 2005 | Panama |
| 10 | Texford Maritime SA | Clio | Bahamas | 73,691 | May 2005 | May 2005 | Panama |
| 11 | Eaton Marine SA | Danae | Greek | 75,106 | Jan 2001 | Jul 2003 | Panama |
| 12 | Vesta Commercial SA | Coronis | Bahamas | 74,381 | Jan 2006 | Jan 2006 | Panama |
| 13 | Ailuk Shipping Company Inc. | Naias | Marshall Islands | 73,546 | Jun 2006 | Aug 2006 | Marshall Islands |
| 14 | Taka Shipping Company Inc. | Melite | Marshall Islands | 76,436 | Oct 2004 | Jan 2010 | Marshall Islands |
| 15 | Bikar Shipping Company Inc. | Arethusa | Greek | 73,593 | Jan 2007 | Jul 2011 | Marshall Islands |
| 16 | Mandaringina Inc. | Melia | Marshall Islands | 76,225 | Feb 2005 | May 2012 | Marshall Islands |
| 17 | Jemo Shipping Company Inc. | Leto | Bahamas | 81,297 | Feb 2010 | Jan 2012 | Marshall Islands |
| 18 | Fayo Shipping Company Inc. (Note 6) | Artemis | Marshall Islands | 76,942 | Sep 2006 | Aug 2013 | Marshall Islands |

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **KAMSARMAX VESSELS** | | | | |
| 19 | Tuvalu Shipping Company Inc. (Note 6) | Myrto | Marshall Islands | 82,131 | Jan 2013 | Jan 2013 | Marshall Islands |
| 20 | Jabat Shipping Company Inc. (Note 6) | Maia | Marshall Islands | 82,193 | Aug 2009 | Feb 2013 | Marshall Islands |
| 21 | Makur Shipping Company Inc. (Notes 6) | Myrsini | Marshall Islands | 82,117 | Mar 2010 | Oct 2013 | Marshall Islands |
| | | | **POST-PANAMAX VESSELS** | | | | |
| 22 | Majuro Shipping Company Inc. | Alcmene | Marshall Islands | 93,193 | Jan 2010 | Nov 2010 | Marshall Islands |
| 23 | Guam Shipping Company Inc | Amphitrite | Marshall Islands | 98,697 | Aug 2012 | Aug 2012 | Marshall Islands |
| 24 | Palau Shipping Company Inc. | Polymnia | Marshall Islands | 98,704 | Nov 2012 | Nov 2012 | Marshall Islands |
| | | | **CAPESIZE VESSELS** | | | | |
| 25 | Jaluit Shipping Company Inc. | Sideris GS | Marshall Islands | 174,186 | Nov 2006 | Nov 2006 | Marshall Islands |
| 26 | Bikini Shipping Company Inc. | New York | Marshall Islands | 177,773 | Mar 2010 | Mar 2010 | Marshall Islands |
| 27 | Gala Properties Inc. | Houston | Marshall Islands | 177,729 | Oct 2009 | Oct 2009 | Marshall Islands |
| 28 | Kili Shipping Company Inc. | Semirio | Marshall Islands | 174,261 | Jun 2007 | Jun 2007 | Marshall Islands |
| 29 | Knox Shipping Company Inc. | Aliki | Marshall Islands | 180,235 | Mar 2005 | Apr 2007 | Marshall Islands |
| 30 | Lib Shipping Company Inc. | Boston | Marshall Islands | 177,828 | Nov 2007 | Nov 2007 | Marshall Islands |
| 31 | Marfort Navigation Company Ltd. | Salt Lake City | Cyprus | 171,810 | Sep 2005 | Dec 2007 | Cyprus |
| 32 | Silver Chandra Shipping Company Ltd. | Norfolk | Cyprus | 164,218 | Aug 2002 | Feb 2008 | Cyprus |
| 33 | Bokak Shipping Company Inc. (Note 6) | Baltimore | Marshall Islands | 177,243 | Mar 2005 | Jun 2013 | Marshall Islands |
| 34 | Pulap Shipping Company Inc. (Note 6) | PS Palios | Marshall Islands | 179,134 | Jan 2013 | Dec 2013 | Marshall Islands |
| | | | **NEWCASTLEMAX VESSELS** | | | | |
| 35 | Lae Shipping Company Inc. | Los Angeles | Marshall Islands | 206,104 | Feb 2012 | Feb 2012 | Marshall Islands |
| 36 | Namu Shipping Company Inc. | Philadelphia | Marshall Islands | 206,040 | May 2012 | May 2012 | Marshall Islands |

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **UNDER CONSTRUCTION** | | | | |
| 37 | Erikub Shipping Company Inc. (Notes 5, 10 and 17) | H2528 (named Crystalia) | Greek | 77,525 | Feb 2014 | Feb 2014 | Marshall Islands |
| 38 | Wotho Shipping Company Inc. (Notes 5 and 10) | H2529 (tbr Atalandi) | - | 76,000 | - | Expected in 2014 | Marshall Islands |
| 39 | Aster Shipping Company Inc. (Notes 5 and 10) | H2548 | - | 208,500 | - | Expected in 2016 | Marshall Islands |
| 40 | Aerik Shipping Company Inc. (Notes 5 and 10) | H2549 | - | 208,500 | - | Expected in 2016 | Marshall Islands |
| | | | **OTHER SUBSIDIARIES** | | | | |
| 41 | Cerada International SA | | Dormant | | | | Panama |
| 42 | Diana Shipping Services SA | | Manager | | | | Panama |
| 43 | Bulk Carriers (USA) LLC | | Company's representative in the US | | | | Delaware - USA |

Diana Shipping Services S.A. (the "Manager" or "DSS") provides the Company and its vessels with management services since November 12, 2004, pursuant to management agreements and since October 1, 2014 administrative services with regards to services related to the holding company's operations and its subsidiaries. Such costs are eliminated in consolidation. Since April 2010 and until February 28, 2013, DSS provided to Diana Containerships Inc. (or "Diana Containerships") and its vessels, administrative services and since June 2010 and until February 28, 2013, technical and commercial services (Note 4).

During 2013, 2012 and 2011 charterers that individually accounted for 10% or more of the Company's time charter revenues were as follows:

| **Charterer** | **2013** | **2012** | **2011** |
|---|---|---|---|
| A | 19% | 10% | - |
| B | 17% | 18% | 18% |
| C | 11% | - | - |
| D | 11% | - | - |
| E | - | 12% | 11% |
| F | - | - | 12% |

**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 referred to in Note 1 above. All intercompany balances and transactions have been eliminated upon consolidation.

**(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.

**(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:** 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. Cash and cash equivalents may also include compensating cash balances kept against the Company's loan facilities that are not deemed to be sufficiently material to require segregation on the balance sheet. Such balances at December 31, 2013 and 2012 amounted to $18,000 and $15,000 in the aggregate and consisted of minimum cash deposits required to be maintained at all times under the Company's loan facilities (Note 9).

**(f)** **Accounts Receivable, Trade:** The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire, ballast bonus billings, if any, hold cleanings and extra voyage insurance, 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, 2013 and 2012.

**(g)** **Loan Receivable from Related Parties:** The amounts shown as Due from related parties, current and non-current, in the consolidated balance sheet as at December 31, 2013, (Note 4(b)) represent amounts receivable from Diana Containerships Inc. with respect to a loan agreement with a wholly owned subsidiary of Diana Containerships Inc., net of any provision for credit losses. Interest income and fees, deriving from the agreement are recorded in the accounts as incurred. Costs incurred for the loan documentation were expensed as incurred. At each balance sheet date, amounts due under the aforementioned loan agreement are assessed for purposes of determining the appropriate provision for credit losses. In order to estimate the allowance for credit losses, the Company assesses at each period end the ability of Diana Containerships to meet its obligations under the loan agreement by taking into consideration existing economic conditions, the current financial condition of Diana Containerships Inc. and historical losses, if any, and any other risks/factors that may affect its future financial condition and its ability to meet its obligations. No provision for credit losses was established as of December 31, 2013, since there was no indication that Diana Containerships Inc. will not be able to meet its obligations under the loan agreement.

**(h)** ***Inventories:*** Inventories consist of lubricants and victualling which are stated at the lower of cost or market. 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 are also stated at the lower of cost or market and cost is determined by the first in, first out method.

**(i)** ***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.

**(j)** ***Property and equipment:*** The Company acquired in 2010 the land and building where its offices are located. Land is presented in its fair value on the date of acquisition and it is not subject to depreciation, but it is reviewed for impairment. The building which consists of office space, a warehouse and parking spaces has an estimated useful life of 55 years with no residual value and depreciation is calculated on a straight-line basis. Equipment consists of office furniture and equipment, computer software and hardware and vehicles. The useful life of the office furniture, equipment and vehicles is 5 years; and the computer software and hardware is 3 years. Depreciation is calculated on a straight-line basis.

**(k)** ***Prepaid/Deferred Charter Revenue:*** The Company records identified assets or liabilities associated with the acquisition of a vessel at fair value, determined by reference to market data. The Company values 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 contractual cash flows of the time charter assumed is greater than its current fair value, the difference, capped to the vessel's fair value on a charter free basis, 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. Such assets/liabilities are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

**(l)** ***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 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 an 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 and by making use of available market data and taking into consideration third party valuations.

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 historical 1 year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of brokerage 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; (ii) expected outflows for scheduled vessels' maintenance; (iii) vessel operating expenses increasing annually by an annual inflation rate of 3%, which approximates current projections for global inflation rate; (iv) effective fleet utilization of 98% taking into account the period each vessel is expected to remain off hire for scheduled maintenance (dry docking and special surveys) and 1% off hire days (other than for dry docking and special surveys) each year, assumptions in line with the Company's historical performance and its expectations for future fleet utilization under its current fleet deployment strategy.

The Company concluded based on this exercise that step two of the impairment analysis was not required and has not identified any facts or circumstances that would require the write down of vessel values as at December 31, 2013 or in the future and no impairment loss has been identified or recorded for 2013, 2012 and 2011.

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. As at December 31, 2013, 2012 and 2011, no impairment loss was identified or recorded 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.

**(m)** ***Assets held for sale:*** It is the Company's policy to dispose of vessels and other fixed assets when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies assets and disposal groups as being held for sale when the following criteria are met: (i) management possessing the necessary authority has committed to a plan to sell the asset (disposal group); (ii) the asset (disposal group) is immediately available for sale on an "as is" basis; (iii) an active program to find the buyer and other actions required to execute the plan to sell the asset (disposal group) have been initiated; (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year; and (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. In case a long-lived asset is to be disposed of other than by sale (for example, by abandonment, in an exchange measured based on the recorded amount of the nonmonetary asset relinquished, or in a distribution to owners in a spinoff) the Company continues to classify it as held and used until its disposal date. 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.

(n) ***Reporting of discontinued operations:*** The current and prior year periods' results of operations and cash flows of assets (disposal groups) classified as held for sale are reported as discontinued operations when it is determined that their operations and cash flows will be eliminated from the ongoing operations of the Company as a result of their disposal, and that the Company will not have continuing involvement in the operation of these assets after their disposal.

**(o)** ***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. In 2013, the Company identified that the estimated scrap rate used for the determination of annual depreciation was not in line with the current average historical rate and as such, the estimated scrap rate was revised (Note 6). 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.

***(p)*** ***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 are written off and included in the calculation of the resulting gain or loss in the year of the vessel's sale.

**(q)** ***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 capitalized as deferred financing costs. 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.

**(r)** ***Concentration of Credit Risk:*** Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash, trade accounts receivable and the loan receivable from a related party. 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. The Company limits its credit risk with the loan receivable by performing ongoing credit evaluations of Diana Containerships' financial condition. The loan agreement is guaranteed by Diana Containerships but does not have any collateral and the Company has not entered into any agreement to mitigate credit risk.

**(s)** **Accounting for Revenues and Expenses:** Revenues are generated from time charter agreements and are usually paid fifteen days in advance. Time charter agreements with the same charterer are accounted for as separate agreements according to the terms and conditions of each agreement. Time charter revenues are recorded over the term of the charter as service is provided. Income representing ballast bonus payments by the charterer to the vessel owner is recognized in the period earned. Revenues from time charter agreements providing for varying annual rates over their term are accounted for on a straight line basis. Deferred revenue includes cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met. Deferred revenue may also include deferred revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis, or the unamortized balance of the liability associated with the acquisition of second-hand vessels with time charters attached which were acquired at values below fair market value at the date the acquisition agreement is consummated. Voyage expenses, primarily consisting of commissions, port, canal and bunker expenses that are unique to a particular charter, are paid for by the charterer under time charter arrangements, except for commissions, which are always paid for by the Company, regardless of charter type. All voyage and vessel operating expenses are expensed as incurred, except for commissions. Commissions are deferred over the related voyage charter period to the extent revenue has been deferred since commissions are due as the Company's revenues are earned.

**(t)** **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.

**(u)** **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.

**(v)** ***Segmental Reporting:*** The Company has determined that it operates under one reportable segment, relating to its operations of the dry-bulk vessels. The Company reports financial information and evaluates the operations of the segment by charter revenues and not by the length of ship employment for its customers, i.e. spot or time charters. The Company does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.

(w) ***Variable Interest Entities:*** The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist, as the primary beneficiary would be required to include assets, liabilities, and the results of operations of the variable interest entity in its financial statements. As of December 31, 2013 and 2012, no such interests were identified.

**(x)** ***Fair Value Measurements:*** The Company follows the provisions of ASC 820 "Fair Value Measurements and Disclosures", which defines fair value and provides guidance for using fair value to measure assets and liabilities. The guidance creates a fair value hierarchy of measurement and describes fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. In accordance with the requirements of accounting guidance relating to Fair Value Measurements, the Company classifies and discloses its assets and liabilities carried at the 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.

(z) ***Derivatives:*** The Company is exposed to interest rate fluctuations associated with its variable rate borrowings and its objective is to manage the impact of such fluctuations on earnings and cash flows of its borrowings. In this respect, in May 2009, the Company entered into a five-year zero cost collar agreement, novated in March 2012, to manage its exposure to interest rate changes related to its borrowings. The collar agreement is considered as an economic hedge agreement as it does not meet the criteria of hedge accounting; therefore, the change in its fair value is recognized in earnings (Note 16).

(aa) ***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. 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. Dividends received 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.

3. **Investment in Diana Containerships Inc.**

On January 18, 2011, the Company, which owned 54.6% of the share capital of Diana Containerships, spun off 2,667,015 shares, or 80% of its ownership in Diana Containerships, through a distribution of shares to its stockholders, recording a dividend of $36,981. Diana Containerships was de-consolidated from the Company's consolidated financial statements as its ownership decreased to about 11%. On June 15, 2011, in a public offering of Diana Containerships, the Company invested an additional amount of $20,000 in a concurrent private offering; however, the Company's ownership percentage has been diluted since then, as a result of increases in the issued share capital of Diana Containerships. Since the spin off, the Company, on the basis of the significant influence exercised over Diana Containerships through its shareholding, its common executive Board, until March 1, 2013 through Diana Shipping Services and since May 2013 through a loan agreement (Note 4(e)), accounts for its investment in Diana Containerships under the equity method according to ASC 323 "Investments – Equity Method and Joint Ventures".

As at December 31, 2013 and 2012, the Company owned 9.51% and 10.4%, respectively, of the share capital of Diana Containerships Inc., and its investment of $15,640 for 2013 and $24,734 for 2012 is separately reflected in Investment in Diana Containerships Inc., in the accompanying consolidated balance sheets. As at December 31, 2013, the market value of the investment was $13,501 based on Diana Containerships closing price on Nasdaq of $4.05.

For 2013, 2012, and 2011, the investment in Diana Containerships resulted in a loss of $6,094, $1,773, and a gain of $1,207, respectively, which are separately presented in Gain/ (loss) from investment in Diana Containerships Inc. in the accompanying consolidated statements of operations. Also during 2013, 2012, and 2011, the Company received dividends from Diana Containerships amounting to $4,000, $2,835, and $100, respectively. In addition, at December 31, 2013 and 2012, dividends declared but not received of $0 and $1,000, respectively, are included in Prepaid expenses and other assets in the respective accompanying consolidated balance sheets.

**4. 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. Travel expenses for 2013, 2012, and 2011, amounted to $2,640, $2,957, and $1,799, respectively, and are included in Vessels, Advances for vessels under construction and acquisitions and other vessel costs, Due from related parties, Vessel operating expenses and General and administrative expenses in the accompanying consolidated financial statements. At December 31, 2013 and 2012, an amount of $196 and $192, respectively, was payable to Altair and is included in Due to related parties in the accompanying consolidated balance sheets.

**(b)** **Diana Containerships Inc. ("Diana Containerships"):** Until February 28, 2013, DSS received from Diana Containerships management fees of $15 per month for each vessel in operation and $20 per month for each laid-up vessel, 1% commissions on the gross hire and freight earned by each vessel and $10 per month for administrative fees pursuant to management and administrative services agreements between Diana Containerships, its vessel owning companies and DSS, which were terminated on March 1, 2013. For 2013, 2012, and 2011, revenues derived from the agreements with Diana Containerships amounted to $447, $2,447, and $1,117, respectively, and they are separately presented as Other revenues in the accompanying consolidated statements of operations. As at December 31, 2013 and 2012, there was an amount of $0 and $613, respectively, due from Diana Containerships and its vessels, relating to these management agreements, and is included in Due from related parties in the related accompanying consolidated balance sheet.

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

On May 20, 2013, the Company's Independent Committee of the Board of Directors and the Board of Directors approved to provide to Eluk Shipping Company Inc., a subsidiary of Diana Containerships, an unsecured loan of up to $50,000 to be used for general corporate purposes and working capital, which was drawn on August 20, 2013. The loan matures on the fourth anniversary of the draw down date, or on August 20, 2017, bears interest at LIBOR plus a margin of 5% per annum. The loan also bears a back-end fee equal to 1.25% per annum on the outstanding amount, receivable on the repayment date of such amount. The unsecured loan is guaranteed by Diana Containerships, and Diana Containerships and its subsidiaries may not incur additional indebtedness during the term of the loan without the prior consent of the Company.

As at December 31, 2013, there was an amount of $86 of interest and $50,233 of loan and fees due from Diana Containerships, separately presented in Due from related parties, current and non-current, respectively, in the related accompanying consolidated balance sheet.

For the period from the drawdown of the loan on August 20, 2013 to December 31, 2013, income from interest and fees amounted to $1,196 and is included in Interest and other income in the 2013 consolidated statement of operations.

(c) ***Diana Enterprises Inc. ("Diana Enterprises"):*** Diana Enterprises is a company controlled by the Company's CEO and Chairman, and has entered into an agreement with DSS to provide brokerage services through DSS to DSI for an annual fee of $2,384 up to March 1, 2013 when the agreement was terminated and a monthly fee of $208 effective from March 1, 2013 until March 31, 2014, payable quarterly in advance. For 2013, 2012, and 2011, brokerage fees amounted to $2,481, $2,384 and $1,704, respectively, and are included in General and administrative expenses in the accompanying consolidated statements of operations. At December 31, 2013, there was an amount of $25 due to Diana Enterprises included in Due to related parties, in the accompanying balance sheet, while at December 31, 2012 there was no amount due to or from Diana Enterprises. Until March 1, 2013, DSS had an agreement with Diana Enterprises to provide brokerage services to Diana Containerships, which was terminated when DSS ceased from being the management company of the Diana Containerships' group.

## 5. Advances for Vessels under Construction and Acquisitions and Other Vessel Costs

The amounts in the accompanying consolidated balance sheets include payments to sellers of vessels or, in the case of vessels under construction, to the shipyards and other costs as analyzed below:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Pre-delivery installments | $ 37,810 | $ 8,700 |
| Advances for vessel acquisitions | - | 2,650 |
| Capitalized interest and finance costs | 624 | 100 |
| Other related costs | 428 | 52 |
| **Total** | $ 38,862 | $ 11,502 |

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

The movement of the account during 2013 and 2012 was as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Beginning balance** | $ 11,502 | $ 63,440 |
| - Advances for vessels under construction and other vessel costs | 30,053 | 68,549 |
| - Advances for vessel acquisitions and other vessel costs | 23,983 | 31,827 |
| - Transferred to vessel cost (Note 6) | (26,676) | (152,314) |
| **Ending balance** | $ 38,862 | $ 11,502 |

On March 28, 2012, Erikub and Wotho, each entered into one shipbuilding contract with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd for the construction of one ice class Panamax dry bulk carrier for each subsidiary for the contract price of $29,000 each. Hull H2528, named "Crystalia", was delivered on February 20, 2014 (Note 17) and hull H2529, to be named "Atalandi", is expected to be delivered in the second quarter of 2014. As at December 31, 2013, the remaining contractual obligations amounted to $17,400 for Erikub (hull H2528) and $17,400 for Wotho (hull H2529) (Note 10).

On May 17, 2013, Aster and Aerik, each entered into one shipbuilding contract with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd for the construction of one Newcastlemax dry bulk carrier for each subsidiary for the contract price of $48,700 each. The vessels are expected to be delivered in 2016. As at December 31, 2013, the remaining contractual obligations amounted to $41,395 for Aster (hull H2548) and $41,395 for Aerik (hull H2549) (Note 10).

**6. Vessels**

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

| | Vessel Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| **Balance, December 31, 2011** | $ 1,292,237 | $ (245,518) | $ 1,046,719 |
| - Transfer from advances for vessels under construction and acquisition and other vessel costs (Note 5) | 152,314 | - | 152,314 |
| - Acquisition, improvements and other vessel costs | 70,819 | - | 70,819 |
| - Depreciation for the year | - | (58,714) | (58,714) |
| **Balance, December 31, 2012** | $ 1,515,370 | $ (304,232) | $ 1,211,138 |
| - Transfer from advances for vessels under construction and acquisition and other vessel costs (Note 5) | 26,676 | - | 26,676 |
| - Acquisition, improvements and other vessel costs | 144,544 | - | 144,544 |
| - Depreciation for the year | - | (61,983) | (61,983) |
| **Balance, December 31, 2013** | $ 1,686,590 | $ (366,215) | $ 1,320,375 |

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

In December 2012, Tuvalu entered into a memorandum of agreement to purchase from an unaffiliated third party, a Kamsarmax dry bulk carrier, for the purchase price of $26,500. The vessel, was renamed "Myrto" and was delivered to the Company on January 25, 2013. Pre-delivery expenses amounted to $176.

During 2013, the Company, through subsidiaries (Note 1), entered into memoranda of agreement to purchase from unaffiliated third parties five vessels, one Panamax, two Kamsarmaxes and two Capesize vessels for an aggregate price of $141,423. Additional capitalized costs amounted to $2,627. Also, as at December 31, 2013, the Company had incurred $494 of additional capitalized costs for improvements to the existing fleet.

Effective January 1, 2013, the Company changed its estimated scrap rate of all of its vessels from $150 per lightweight ton to $250 per lightweight ton. This change was made because the historical scrap rates over the past ten years have increased and as such the $150 rate was not considered representative. For 2013, this increase in salvage values has reduced depreciation and net loss by approximately $2,946 and loss per share by approximately $0.04.

As of December 31, 2013, part of the Company's fleet (except of vessels Coronis, Melite, Artemis, Aliki, Baltimore, Myrsini and PS Palios), having an aggregate carrying value of $1,061,277 has been provided as collateral to secure the loan facilities discussed in Note 9.

**7. 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, 2011** | $ 22,552 | $ (893) | $ 21,659 |
| - Additions in equipment and building improvements | 1,553 | - | 1,553 |
| - Depreciation for the year | - | (438) | (438) |
| **Balance, December 31, 2012** | $ 24,105 | $ (1,331) | $ 22,774 |
| - Additions in equipment and building improvements | 575 | - | 575 |
| - Depreciation for the year | - | (523) | (523) |
| **Balance, December 31, 2013** | $ 24,680 | $ (1,854) | $ 22,826 |

**8. Prepaid charter revenue, current and non-current**

In May 2009, on the acquisition of the vessel "Houston", Gala paid an amount in excess of the predelivery installments for the construction of the vessel, which was recognized in assets as Prepaid charter revenue. This amount has been amortized in revenues since the delivery of the vessel to the time charterers. On November 26, 2013, the charterers terminated the charter earlier than the termination date determined under the terms of the charter party and redelivered the vessel to the owners, who started arbitration proceedings against the charterers seeking to mitigate their losses as a result of the early termination. As a result of this earlier termination of the charter party, the unamortized balance of prepaid charter revenue was fully amortized against Time charter revenues during 2013. The movement of the account as at December 31, 2013 and 2012 was as follows:

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

| | Amount | Accumulated Amortization | Net |
|---|---|---|---|
| **Balance, December 31, 2011** | $ 15,000 | $ (6,591) | $ 8,409 |
| Amortization in the year | - | (3,056) | (3,056) |
| **Balance, December 31, 2012** | $ 15,000 | $ (9,647) | $ 5,353 |
| Amortization for the year | - | (5,353) | (5,353) |
| **Balance, December 31, 2013** | $ 15,000 | $ (15,000) | $ - |

The amortization of prepaid charter revenue for 2013, 2012 and 2011 amounted to $5,353, $3,056, and $3,050, respectively, and is included in Time charter revenues in the accompanying consolidated statements of operations.

**9. Long-term debt, current and non-current**

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

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Royal Bank of Scotland revolving credit facility | $ 240,000 | $ 270,000 |
| Bremer Landesbank loan facility | 25,600 | 29,200 |
| Deutsche Bank AG loan facilities | 48,250 | 33,400 |
| Credit Agricole Corporate and Investment Bank | 13,000 | 14,000 |
| Export-Import Bank of China and DnB Bank ASA loan facility | 64,219 | 69,054 |
| Nordea Bank Finland Plc loan facilities | 42,027 | 45,224 |
| **Total debt outstanding** | $ 433,096 | $ 460,878 |
| Less related deferred financing costs | (1,539) | (1,766) |
| **Total debt, net of deferred financing costs** | $ 431,557 | $ 459,112 |
| Current portion of long term debt | $ (46,532) | $ (45,032) |
| **Long-term debt, non-current portion** | $ 385,025 | $ 414,080 |

***Royal Bank of Scotland ("RBS") revolving credit facility***: On February 18, 2005, the Company entered into a secured revolving credit facility with the Royal Bank for $230,000 which was increased to $300,000 on May 24, 2006 with an amended agreement. The amended facility was available in full until May 24, 2012. Since that date the available amount is reducing in semiannual amounts of $15,000 with a final reduction of $165,000 together with the last semi-annual reduction on May 24, 2016. The credit facility bears interest at LIBOR plus a margin ranging from 0.75% to 0.85%. The weighted average interest rate of the facility as at December 31, 2013 and 2012 was 1.1% and 1.1%, respectively.

The credit facility is secured by a first priority or preferred ship mortgage on 18 vessels of the Company's fleet, assignment of all freights, earnings, insurances and requisition compensation. The lenders may also require additional security in the event the Company breaches certain covenants under the credit facility, including a shortfall in the hull cover ratio, as described below.

The credit facility contains covenants including restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio, minimum liquidity of $400 per each vessel in the fleet mortgaged under or financed through the credit facility and other financial covenants. As at December 31, 2013 and 2012, the minimum liquidity requirement amounted to $7,600 and $6,800, respectively. Furthermore, the Company is not permitted to pay any dividends that would result in a breach of the financial covenants of the facility.

***Bremer Landesbank ("Bremer") loan facility:*** On October 22, 2009, Gala entered into a loan agreement with Bremer to partly finance, or, as the case may be, refinance, the contract price of the vessel "Houston" for an amount of $40,000. The loan is repayable in 40 quarterly installments of $900 plus one balloon installment of $4,000 to be paid together with the last installment on November 12, 2019. The loan bears interest at LIBOR plus a margin of 2.15%. The weighted average interest rate of the facility as at December 31, 2013 and 2012 was 2.5% and 2.6%, respectively.

The loan is secured by a first preferred ship mortgage on the vessel "Houston", a first priority assignment of all earnings, insurances, and requisition compensation and a corporate guarantee. The lenders may also require additional security in the future in the event the Company breaches certain covenants under the loan agreement and includes restrictions as to changes in management and ownership of the vessel, additional indebtedness, substitute charters in the case the vessel's current charter is prematurely terminated, as well as minimum requirements regarding hull cover ratio. Furthermore, the Company is not permitted to pay any dividends from the earnings of the vessel following the occurrence of an event of default. Also, Gala is required for the duration of the loan to maintain in its current account with the Bank sufficient funds to meet the next repayment installment and interest due at monthly intervals, any other outstanding indebtedness that becomes due with the bank and sufficient funds to cover the anticipated cost of the next special survey. As at December 31, 2013 and 2012, such funds amounted to $875 and $721, respectively.

Deutsche Bank AG ("Deutsche") loan facility: On October 8, 2009, Bikini entered into a loan agreement with Deutsche to partly finance, or, as the case may be, refinance, the contract price of the vessel "New York" (Hull H1107), for an amount of up to $40,000. The loan is repayable in 19 quarterly installments of $600 and a final installment of $28,600 on March 10, 2015. The loan bears interest at LIBOR plus a margin of 2.40% per annum. The weighted average interest rate of the facility as at December 31, 2013 and 2012 was 2.7% and 2.9%, respectively.

The loan is secured by a first preferred ship mortgage on the vessel "New York" and second preferred ship mortgage on the vessels "Myrto and "Maia", a first priority assignment of all earnings, insurances, and requisition compensation and a corporate guarantee. The lenders may also require additional security in the future in the event the Company breaches certain covenants including restrictions as to changes in management and ownership of the vessel, additional indebtedness, as well as minimum requirements regarding hull cover ratio, minimum liquidity of $400 for the borrower, average cash balance of $10,000 for the guarantor, and financial covenants. Furthermore, the Company is not permitted to pay any dividends which would result in a breach of financial covenants or if an event of default has occurred and is continuing.

On June 18, 2013, Tuvalu and Jabat, entered into a loan agreement with Deutsche for a loan facility of $18,000 to finance part of the acquisition cost of the vessels "Maia" and "Myrto", drawn on June 20, 2013. On the same date, Bikini entered into a supplemental agreement with Deutsche in order to amend the terms of the loan agreement dated October 9, 2009 with respect to the cross collateralization of the "New York" with "Maia" and "Myrto". The loan is repayable in 20 consecutive equal quarterly installments of $375 and a balloon payment of $10,500 payable together with the final quarterly installment on June 20, 2018. The loan bears interest at LIBOR plus a margin of 3.0%. The Company paid an arrangement fee of $225 on the date of signing the facility agreement as well as an administration fee of $5 which is payable annually throughout the duration of the loan. The weighted average interest rate of the facility as at December 31, 2013 was 3.3%.

The loan is secured with a corporate guarantee from DSI, first preferred mortgages on the vessels "Myrto" and "Maia" cross-collateralized with a second preferred mortgage on "New York", first assignment of earnings, first assignment of time charter contracts with duration of more than 12 months, first assignment of insurances, pledge over the shares of the borrowers and manager's undertaking and subordination. The loan also has financial covenants and requires minimum liquidity of $500 for each borrower and $500 for each vessel owned by the guarantor and minimum requirements regarding hull cover ratio. Finally, the Borrowers are not permitted to pay any dividends that would result in breach of financial covenants or if an event of default has occurred and is continuing, unremedied and unwaived.

***Export-Import Bank of China and DnB Bank ASA ("Cex-Im and DnB"):*** On October 2, 2010, Lae and Namu entered into a loan agreement with the Export – Import Bank of China and DnB Bank ASA (formerly known as DnB NOR Bank ASA) to finance part of the construction cost of the "Los Angeles" and the "Philadelphia" for an amount of up to $82,600 of which $72,100 was drawn.

The Lae advance is repayable in 40 quarterly installments of $628 and a balloon of $12,330 payable together with the last installment on February 15, 2022 and the Namu advance is repayable in 40 quarterly installments of $581 and a balloon of $11,410 payable together with the last installment on May 18, 2022. Each Bank has the right to demand repayment of the outstanding balance of any advance 72 months after the respective advance drawdown. Such demand shall be subject to written notification to be made no earlier than 54 months and not later than 60 months after the respective drawdown date for that advance. The loan bears interest at LIBOR plus a margin of 2.50% per annum and an agency fee of $10 is paid annually until its full repayment. The weighted average interest rate of the facility as at December 31, 2013 and 2012 was 2.8% and 2.9%, respectively.

The loan is secured by a first preferred ship mortgage on the vessels, general assignments, charter assignments, operating account assignments, hull cover ratio, a corporate guarantee from DSI and manager's undertakings. The loan requires minimum liquidity of $400 for each borrower, an average cash balance of $10,000 for the guarantor and financial covenants. The Company is not permitted to pay any dividends that would result in an event of default or if an event of default has occurred and is continuing.

On May 24, 2013, Erikub and Wotho entered into a loan agreement with Cex-Im and DnB to finance part of the construction cost of Hull H2528, named "Crystalia", and Hull H2529, to be named "Atalandi", for an amount of up to $15,000 for each vessel. The loan is available until April 30, 2014.

Each advance will be repayable in 20 quarterly installments of $250 and a balloon of $10,000 payable together with the last installment. The loan matures in five years from the drawdown date of each tranche, but not later than March 31, 2019, unless otherwise agreed. The loan will bear interest at LIBOR plus a margin of 3.0% per annum, has a commitment fee of 0.2% on the total undrawn amount and an additional commitment fee of 0.4% on the undrawn amount to be provided by DnB amounting to $6,000 payable until the drawdown of the loan, and an annual agency fee of $10. The Company also paid arrangement fees of $177 on the date of signing the agreement.

The loan will be secured by a first preferred or statutory cross collateralized ship mortgages on the vessels together with collateral deeds of covenants, first priority deeds of assignment of the insurances, earnings and requisition compensation of the vessels, a guarantee and indemnity of DSI, first priority charter assignments with duration of more than 12 months, first priority deeds of charge over the earnings accounts of the borrowers, first priority pledge over the shares of the borrowers hull cover ratio and manager's undertaking. The loan requires minimum liquidity of $200 for each borrower, and $500 for each vessel owned by the guarantor and financial covenants. The borrowers are not permitted to pay any dividends that would result in an event of default or would occur as a result thereof.

Credit Agricole Corporate and Investment Bank ("Credit Agricole"): On September 13, 2011, Bikar entered into a loan agreement with Emporiki Bank of Greece, S.A ("Emporiki") for a loan of up to $15,000 to refinance part of the acquisition cost of m/v "Arethusa". On December 13, 2012, Bikar, the Company, DSS and Credit Agricole, entered into a supplemental loan agreement to set out amendments of the loan agreement to which the parties entered into in a supplemental agreement on December 11, 2012, to provide applicability of the English law and exclusive jurisdiction of English courts and to a deed of novation to transfer the outstanding loan balance, the ISDA master swap agreement and the existing security documents from Emporiki to Credit Agricole.

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 weighted average interest rate of the facility as at December 31, 2013 and 2012 was 1.3% and 1.2%, respectively.

The loan, which is secured by an equivalent amount of cash collateral, is also secured with a first priority mortgage on the vessel "Arethusa", charter assignment on long term charters, first priority general assignment of all earnings, insurances and requisition compensation on the vessel, a corporate guarantee from DSI, manager's undertaking and a first priority pledge on the earnings account and the cash collateral account. The lender may also require additional security, if at any time the market value of the vessel and the cash standing in a pledged account with the bank becomes less than the required hull cover ratio. The loan also has other non-financial and financial covenants, minimum cash of $10,000 to be held by DSI and $500 to be held by Bikar and/or the guarantor. The Company is not permitted to pay any dividends, that would result in an event of default or if an event of default has occurred and is continuing.

***Nordea Bank Finland Plc.("Nordea"):*** On February 7, 2012, Jemo (the "Borrower") entered into an agreement with Nordea Bank Finland Plc, London Branch, for a secured term loan facility in the principal amount of $16,125 to partly finance the acquisition cost of "Leto". The loan is repayable in 20 consecutive equal quarterly installments of $252 and a balloon payment of $11,085 payable together with the final quarterly installment on February 7, 2017. On June 21, 2012, the agreement between Jemo and Nordea Bank Finland Plc, was restated and amended by a supplemental agreement in order to include Mandaringina as a new borrower and increase the loan amount to up to $26,450 for the purpose of financing part of the acquisition cost of Melia. The additional advance for Mandaringina of $10,325 is repayable in 20 consecutive equal quarterly installments of $235 and a balloon of $5,625 payable together with the last installment on May 7, 2017. The loan bears interest at LIBOR plus a margin of 2.5%. The weighted average interest rate of the facility as at December 31, 2013 and 2012 was 2.7% and 2.7%, respectively.

On December 20, 2012, Palau and Guam entered into a new loan agreement with Nordea for an amount of $20,000, to finance part of the acquisition cost of the vessels "Amphitrite" and "Polymnia". The loan is repayable in 20 consecutive quarterly installments of $312 and a balloon installment of $13,760 payable together with the last installment on December 21, 2017. The loan bears interest at LIBOR plus a margin of 2.9%. The weighted average interest rate of the facility as at December 31, 2013 and 2012 was 3.1% and 3.1%, respectively.

Both loans are secured with a corporate guarantee from DSI, a first priority or first preferred mortgage on the vessels, first priority assignment of earnings, first priority pledge of the earnings accounts, first priority assignment of the time charters and any subsequent long term charter contracts, first priority assignment of insurances, first priority pledge over the shares of the borrowers and manager's letter of subordination of rights and minimum hull value. The loans also have financial covenants and require minimum liquidity of $500 per vessel owned by the guarantor. Finally, the Company is not permitted to pay any dividends, that would result in an event of default or if an event of default has occurred and is continuing.

***Commonwealth Bank of Australia, London Branch ("CBA"):*** On October 24, 2013, Taka and Fayo both signed a commitment letter with CBA, for a loan facility of up to $18,000 to finance part of the acquisition cost of the vessels "Melite" and "Artemis". The loan will bear interest at LIBOR plus a margin of 2.25%, an arrangement fee of $135 on signing the agreement, and a 1% commitment fee on the undrawn loan from signing of the agreement until the drawdown date (Note 17).

As at December 31, 2013 and 2012, the maximum amount required by the banks as compensating cash balance amounted to $18,000 and $15,000, respectively.

Total interest incurred on long-term debt for 2013, 2012, and 2011 amounted to $8,068, $7,342, and $5,129, respectively. Of the above amounts, $468, $321, and $635, respectively, were capitalized and included in Vessels and in Advances for vessels under construction and acquisitions and other vessel costs in the accompanying consolidated balance sheets. Interest expense on long-term debt, net of interest capitalized, is included in Interest and finance costs in the accompanying consolidated statements of operations. For 2013, 2012, and 2011 the Company incurred commitment fees on the undrawn portion of the loans amounting to $56, $122, and $468, respectively, of which $56, $103, and $422, respectively, are included in Vessels and in Advances for vessels under construction and acquisition and other vessel costs.

The maturities of the Company's debt facilities described above, as at December 31, 2013, and throughout their term are as follows:

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

| Period | | | | Principal Repayment |
|---|---|---|---|---|
| January 1, 2014 | to | December 31, 2014 | $ | 46,532 |
| January 1, 2015 | to | December 31, 2015 | | 72,732 |
| January 1, 2016 | to | December 31, 2016 | | 194,132 |
| January 1, 2017 | to | December 31, 2017 | | 43,374 |
| January 1, 2018 | to | December 31, 2018 | | 20,686 |
| January 1, 2019 | and thereafter | | | 55,640 |
| | **Total** | | $ | 433,096 |

**10. 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.

On March 20, 2013, the Company's fleet manager, DSS, was indicted by a federal grand jury in Norfolk, Virginia for alleged violations of law concerning maintenance of books and records and the handling of waste oils on the vessel Thetis. On August 8, 2013, the Chief Engineer and the second assistant engineer of the vessel Thetis were found guilty by the Court. While the Company believes it had meritorious defences against the charges and allegations set forth in the indictment, it was found vicariously liable for the acts of its employees. The sentencing hearing was held on December 5, 2013 and resulted in a fine of $1,100 and three and a half years of probation.

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. The Company's vessels are subject to calls payable to their P&I Association and 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. The Company is not aware of any supplemental calls in respect of any policy year that should be recorded in its consolidated financial statements.

b) The Company has entered into shipbuilding contracts for the construction of two ice class Panamax dry bulk carriers for a contract price of $29,000 each and two Newcastlemax dry bulk carriers for a contract price of $48,700 each. As at December 31, 2013, the total obligations under these contracts amounted to $117,590 (Notes 5 and 17).

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

c) As of December 31, 2013, all our vessels had fixed non-cancelable time charter contracts. The minimum contractual gross charter revenues to be generated from the existing as of December 31, 2013, non-cancelable time charter contracts until their expiration are as follows:

| Period | Amount |
|---|---|
| Year 1 | $ 122,473 |
| Year 2 | 41,448 |
| Year 3 | 3,945 |
| **Total** | $ 167,866 |

**11. Capital Stock and Changes in Capital Accounts**

(a) ***Preferred stock and common stock:*** The Company's authorized capital stock consists of 200,000,000 shares (all in registered form) of common stock, par value $0.01 per share and of 25,000,000 shares (all in registered form) of preferred stock, par value $0.01 per share. The holders of the common shares are entitled to one vote on all matters submitted to a vote of stockholders and to receive all dividends, if any (see also Note 17).

(b) ***Incentive plan:*** In February 2005, the Company adopted an equity incentive plan (the "Plan") for 2,800,000 common shares, which was amended and restated on October 21, 2008 and terminated in 2012 as all shares reserved had been issued. In May 2011, the Company's board of directors approved to adopt the Diana Shipping Inc. 2011 Equity Incentive Plan, with substantially the same terms and provisions as the Company's Amended and Restated 2005 Equity Incentive Plan. Under the 2011 Equity Incentive Plan, an aggregate of 5,000,000 common shares were reserved for issuance.

The plan entitles the Company's employees, officers and directors to receive options to acquire the Company's common stock and is administered by the Compensation Committee of the Company's Board Directors or such other committee of the Board as may be designated by the Board to administer the Plan. Under the terms of the 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. The plan will expire 10 years from its adoption by the Board of Directors. Under the 2011 Equity Incentive 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.

The Company follows the provisions in ASC 718 "Compensation – Stock Compensation", for purposes of accounting for such share-based payments. All share-based compensation provided to employees is recognized in accordance with the relevant guidance, and is included in General and administrative expenses in the accompanying consolidated statements of operations.

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

Restricted stock during the years ended December 31, 2013, 2012 and 2011 is analysed as follows:

| | Number of Shares | Weighted Average Grant Date Price |
|---|---|---|
| **Outstanding at December 31, 2010** | $ 1,187,887 | $ 15.30 |
| Granted | 616,055 | 12.64 |
| Vested | (419,880) | 15.44 |
| Forfeited or expired | - | - |
| **Outstanding at December 31, 2011** | $ 1,384,062 | $ 14.07 |
| Granted | 667,614 | 9.13 |
| Vested | (600,051) | 13.83 |
| Forfeited or expired | - | - |
| **Outstanding at December 31, 2012** | $ 1,451,625 | $ 11.90 |
| Granted | 607,946 | 9.06 |
| Vested | (701,198) | 12.64 |
| Forfeited or expired | - | - |
| **Outstanding at December 31, 2013** | $ 1,358,373 | $ 10.25 |

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. During 2013, 2012, and 2011, an amount of $8,203, $8,645, and $8,087, respectively, was recognized in General and administrative expenses presented in the accompanying consolidated statements of operations. For 2011, General and administrative expenses also include compensation cost of $7, relating to Diana Containerships for restricted shares issued to its executive officers.

At December 31, 2013 and 2012, the total unrecognized cost relating to restricted share awards was $7,966 and $10,662, respectively. At December 31, 2013, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 0.81 years.

(c) ***Share repurchase agreement:*** In December 2011, the Company entered into an agreement with Goldman, Sachs & Co. (the "Broker") to repurchase its stock according to Rule 10b5-1(c)(l) and to the extend applicable to Rule 10b-18 under the Securities and Exchange Act of 1934. The agreement was terminated on February 29, 2012. On June 14 and August 2, 2012, the Company entered into two similar agreements which were terminated on July 11, and on October 15, 2012, respectively. The Company repurchased and retired 154,091 shares up to December 31, 2011 for an aggregate cost of $1,187, and additional shares of 853,607 in 2012 for an additional cost of $6,044. No such agreement was in effect for 2013.

**12. Voyage and Vessel Operating Expenses**

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

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

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Voyage Expenses** | | | |
| Bunkers | $ (62) | $ (2,149) | $ (1,663) |
| Commissions charged by third parties | 7,939 | 10,273 | 11,963 |
| Miscellaneous | 242 | 150 | 297 |
| **Total** | $ 8,119 | $ 8,274 | $ 10,597 |
| | | | |
| **Vessel Operating Expenses** | | | |
| Crew wages and related costs | $ 45,451 | $ 37,351 | $ 31,497 |
| Insurance | 6,438 | 4,747 | 4,369 |
| Spares and consumable stores | 14,825 | 14,996 | 12,686 |
| Repairs and maintenance | 5,548 | 6,609 | 5,903 |
| Tonnage taxes (Note 15) | 1,040 | 361 | 318 |
| Other operating expenses | 3,909 | 2,229 | 602 |
| **Total** | $ 77,211 | $ 66,293 | $ 55,375 |

**13. Interest and Finance Costs**

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

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Interest expense | $ 7,600 | $ 7,021 | $ 4,494 |
| Amortization of financing costs | 473 | 379 | 278 |
| Commitment fees and other costs | 67 | 218 | 152 |
| Total | $ 8,140 | $ 7,618 | $ 4,924 |

**14. Earnings / (Loss) per Share**

All shares issued (including the restricted shares issued under the Company's Incentive Plan) are the Company's common stock and have equal rights to vote and participate in dividends upon their vesting. 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. For the purpose of calculating diluted earnings per share the weighted average number of diluted shares outstanding includes the incremental shares assumed issued determined in accordance with the treasury stock method.

For 2013 and on the basis that the Company incurred losses, the effect of any incremental shares would be anti-dilutive and therefore basic and diluted loss per share is the same.

For 2012 and 2011, the denominator of the diluted earnings per share calculation includes 0 and 42,574 shares, being the number of incremental shares assumed issued under the treasury stock method weighted for the periods the non-vested shares were outstanding.

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

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Basic LPS | Diluted LPS | Basic EPS | Diluted EPS | Basic EPS | Diluted EPS |
| Net income / (loss) | $ (21,205) | $ (21,205) | $ 54,639 | $ 54,639 | $ 107,497 | $ 107,497 |
| Weighted average number of basic shares outstanding | 81,328,390 | 81,328,390 | 81,083,485 | 81,083,485 | 81,081,774 | 81,081,774 |
| Incremental shares | - | - | - | - | - | 42,574 |
| Weighted average number of diluted common shares outstanding | - | 81,328,390 | - | 81,083,485 | - | 81,124,348 |
| **Earnings / (loss) per share** | $ (0.26) | $ (0.26) | $ 0.67 | $ 0.67 | $ 1.33 | $ 1.33 |

**15. 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 (Note 12).

Pursuant to the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S. tax if the company operating the ships meets both of the following requirements, (a) the Company is organized in a foreign country that grants an equivalent exception to corporations organized in the United States and (b) either (i) more than 50% of the value of the Company's stock is owned, directly or indirectly, by individuals who are "residents" of the Company's country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States (50% Ownership Test) or (ii) the Company's stock is "primarily and regularly traded on an established securities market" in its country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States (Publicly-Traded Test).

Notwithstanding the foregoing, the regulations provide, in pertinent part, that each class of the Company's stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the value of such class of the Company's outstanding stock, ("5 Percent Override Rule").

The Company and each of its subsidiaries expects to qualify for this statutory tax exemption for the 2013, 2012 and 2011 taxable years, and the Company takes this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond the Company's control that could cause it to lose the benefit of this tax exemption in future years and thereby become subject to United States federal income tax on its United States source income such as if, for a particular taxable year, other shareholders with a five percent or greater interest in the Company's stock were, in combination with the Company's existing 5% shareholders, to own 50% or more of the Company's outstanding shares of its stock on more than half the days during the taxable year.

The Company estimates that since no more than the 50% of its shipping income would be treated as being United States source income, the effective tax rate is expected to be 2% and accordingly it anticipates that the impact on its results of operations will not be material. The Company believes that it satisfies the Publicly-Traded Test and all of its United States source shipping income is exempt from U.S. federal income tax. Based on its U.S. source Shipping Income for 2013, 2012 and 2011, the Company would be subject to U.S. federal income tax of approximately $238, $289 and $217, respectively, in the absence of an exemption under Section 883.

**16. Financial Instruments**

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 long-term loan receivable from Diana Containerships also approximates its recorded value, due to its variable interest rate.

The Company is exposed to interest rate fluctuations associated with its variable rate borrowings and its objective is to manage the impact of such fluctuations on earnings and cash flows of its borrowings. In May 2009 (novated in March 2012), the Company entered into a five-year zero cost collar agreement with a floor at 1% and a cap at 7.8% of a notional amount of $100,000 to manage its exposure to interest rate changes related to its borrowings. The collar agreement is used as an economic hedge agreement and does not meet the criteria for hedge accounting; therefore, the changes in its fair value are recognized in earnings.

As of December 31, 2013 and 2012, the fair value of the swap resulted to a liability of $378 and $994, respectively, both separately presented in the accompanying consolidated balance sheets. For 2013, 2012, and 2011, the Company incurred from the swap loss amounting to $118, $518, and $737, respectively, and is separately presented as Loss from derivative instruments in the accompanying consolidated statements of operations. The fair value of the collar agreement determined through Level 2 inputs of the fair value hierarchy as defined in ASC 820-10-35-47 Fair Value Measurements and Disclosure, Subsequent Re-measurement of FASB Accounting Standard Codification (ASC), is derived principally from or corroborated by observable market data. Inputs include interest rates, yield curves and other items that allow value to be determined.

**17. Subsequent Events**

***(a)*** ***New vessel construction contract:*** On January 8, 2014 the Company, through its new subsidiary Houk Shipping Company Inc., signed a shipbuilding contract with Yangzhou Dayang Shipbuilding Co., Ltd. and Shanghai Sinopacific International Trade Co., Ltd., for the construction of a Kamsarmax dry bulk vessel for a contract price of US$28,825. The Company expects to take delivery of the vessel in 2016.

***(b)*** ***Loan agreement:*** On January 9, 2014, Taka and Fayo both entered into a loan agreement with Commonwealth Bank of Australia, London Branch, for which a commitment letter had been signed in 2013 (Note 9) for a loan facility of up to $18,000 for the vessels "Melite" and "Artemis". The loan was drawn on January 13, 2014 and the Company paid a non-refundable arrangement fee of $135 on signing the agreement.

***(c)*** ***Issuance of redeemable preferred stock:*** On February 24, 2014, the Company completed a public offering of 2,600,000 shares of Series B Cumulative Redeemable Perpetual Preferred Shares, par value $0.01 per share, at $25.00 per share. The net proceeds from the offering (after the underwriting discount and other offering expenses payable by the Company) are expected to be $62,590.

***(d)*** ***Annual Incentive Bonus:*** On February 17, 2014 the Company's Board of Directors approved a cash bonus of $1,082, net of taxes and other withholdings, to all employees and executive management of the Company and 550,000 shares of restricted common stock awards to executive management and non-executive directors, pursuant to the Company's equity incentive plan. The fair value of the restricted shares is estimated at $6,859 and will be recognized in income ratably over three years, which is the restricted shares' vesting period.

***(e)*** ***Vessel delivery:*** On February 20, 2014, the Company took delivery of hull H2528, named "Crystalia", which was under construction at the China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd (Note 5).

***(f)*** ***Diana Enterprises Inc.:*** On March 4, 2014, the Brokerage Services Agreement between DSS and Diana Enterprises (Note 4(c)) was terminated and replaced by a new agreement. Diana Enterprises will continue to provide brokerage services for a period of fifteen months starting from January 1, 2014 and for a revised monthly fee of $104 payable quarterly in advance.

**Exhibit 4.17**

**DATED 18 June 2013**

**TUVALU SHIPPING COMPANY INC.**
**JABAT SHIPPING COMPANY INC.**
**(as Borrowers)**

**-and-**

**DEUTSCHE BANK AKTIENGESELLSCHAFT FILIALE DEUTSCHLANDGESCHAFT**
**(as Lender)**

# UP TO US$18,000,000 SECURED LOAN AGREEMENT

**STEPHENSON HARWOOD**

CONTENTS

**LOAN AGREEMENT**

**Dated: 18 June 2013 BETWEEN:**

(1) **TUVALU SHIPPING COMPANY INC. and JABAT SHIPPING COMPANY INC.,** each a company incorporated under the laws of the Republic of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, P.O. Box 1405 Majuro, Marshall Islands MH 96960 (together the "**Borrowers**" and each a "**Borrower**") jointly and severally; and

(2) **DEUTSCHE BANK AKTIENGESELLSCHAFT FILIALE DEUTSCHLANDGESCHÄFT**, Frankfurt am Main, acting through its office at Adolphsplatz 7, 20457 Hamburg, Germany (the "**Lender**").

**WHEREAS:**

(A) Each Borrower is the registered owner of the relevant Vessel and has registered that Vessel under the flag of the Republic of the Marshall Islands.

(B) The Lender has agreed to advance to the Borrowers on a joint and several basis up to eighteen million Dollars ($18,000,000) to assist the Borrowers to refinance part of the aggregate purchase price of the Vessels in the amount of (i) ten million Dollars ($10,000,000) in respect of mv "MYRTO"; and (ii) eight million Dollars ($8,000,000) in respect of mv "MAIA".

**IT IS AGREED** as follows:

**1Definitions and Interpretation**

1.1 In this Agreement:

"**Administration**" has the meaning given to it in paragraph 1.1.3 of the ISM Code.

"**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).

"**Approved Brokers**" means Associated Shipbroking, Monaco; Allied Shipbroking Inc., Piraeus; Simpson, Spence and Young Shipbrokers, London; Clarksons,

London; Braemar Seascape, London; Arrow Shipping; Maersk Broker K.S. and Galbraiths Inc. or any other experienced ship broker as agreed between the Lender and the Borrowers.

"**Assignments**" means the deeds of assignment referred to in Clause 10.1.2 (*Security Documents*).

"**Availability Termination Date**" means 19 July 2013 or such later date as the Lender may in its discretion agree.

"**Bikini Loan Agreement**" means a loan facility agreement dated 8 October 2009 made between the Lender, as lender, and the Collateral Owner, as borrower, as amended, supplemented, novated or replaced from time to time.

"**Borrower's Vessels**" means the following Kamsarmax bulk carrier vessels and everything now or in the future belonging to them on board and ashore, currently registered under the flag of the Republic of the Marshall Islands in the ownership of the respective Borrowers set out below and "**Borrower's Vessel**" means any one of them:

| Name of Vessel | IMO no. | Borrower | Approximate dwt | Year built |
|---|---|---|---|---|
| MYRTO (the "Myrto Vessel") | 9518086 | Tuvalu Shipping Company Inc. | 82,131 | 2013 |
| MAIA (the "Maia Vessel) | 9422938 | Jabat Shipping Company Inc. | 82,193 | 2009 |

"**Break Costs**" means all sums payable by the Borrowers from time to time under Clause 8.3 (*Break Costs*).

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in New York, London, Frankfurt am Main and Hamburg and Piraeus.

"**Charters**" means any time charters or other contracts of employment in respect of a Borrower's Vessel in excess of twelve (12) months duration made between the relevant Borrower and a Charterer and "**Charter**" means each one of them.

"**Charterer**" means any charterer that has entered into a Charter with a Borrower in respect of the relevant Borrower's Vessel.

"**Collateral Assignment**" means the deed of assignment referred to in Clause 10.1.7 (*Security Documents*).

"**Collateral Guarantee**" means the guarantee and indemnity referred to in Clause 10.1.5 (*Security Documents*).

"**Collateral Owner**" means Bikini Shipping Company Inc., a company incorporated under the laws of the Republic of the Marshall Islands, whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960.

"**Collateral Owner's Indebtedness**" means the indebtedness of the Collateral Owner to the Lender, as lender, under the Bikini Loan Agreement.

"**Collateral Mortgage**" means the preferred mortgage referred to in Clause 10.1.6 (*Security Documents*).

"**Collateral Vessel**" means the capesize bulk carrier "NEW YORK" of approximately 177,000 dwt with IMO number 9405332 and everything now or in the future belonging to her on board and ashore, currently registered under the flag of the Republic of the Marshall Islands in the ownership of the Collateral Owner.

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 4 (*Form of Compliance Certificate*).

"**Currency of Account**" means, in relation to any payment to be made to the Lender under a Finance Document, the currency in which that payment is required to be made by the terms of that Finance Document.

"**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.

"**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.

"**Dollars**" and "$" each means available and freely transferable and convertible funds in lawful currency of the United States of America.

"**Drawdown Date**" means the date on which the Loan is advanced under Clause 4 (*Advance*).

"**Drawdown Notice**" means a notice substantially in the form set out in Schedule 3 (*Form of Drawdown Notice*).

"**Earnings**" means all hires, freights, pool income and other sums payable to or for the account of a Borrower 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 Lender and designated respectively "Tuvalu Shipping Company Inc. - Earnings Account" and "Jabat Shipping Company Inc. - Earnings Account" and "**Earnings Account**" means either one of them.

"**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.

"**Event of Default**" means any of the events or circumstances set out in Clause 13.1 (*Events of Default*).

"**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

Security Parties have ceased to be under any further actual or contingent liability to the Lender under or in connection with the Finance Documents.

"**Fair Market Value**" means, in respect of a Vessel, the market value of a Vessel determined in accordance with Clause 10.14 (*Fair Market Value determination*).

"**Final Maturity Date**" means the fifth (5th) anniversary of the Drawdown Date.

"**Finance Documents**" means this Agreement, the Security Documents and any other document designated as such by the Lender and the Borrowers and "**Finance Document**" means any one of them.

"**Financial Indebtedness**" means any obligation for the payment or repayment of money, whether present or future, actual or contingent, in respect of:

(a) moneys borrowed;

(b) any acceptance credit;

(c) any bond, note, debenture, loan stock or similar instrument;

(d) any finance or capital lease;

(e) receivables sold or discounted (other than on a non-recourse basis);

(f) deferred payments for assets or services;

(g) any derivative transaction protecting against or benefiting from fluctuations in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(h) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

"**GAAP**" means generally accepted accounting principles in the United States of America.

"**Group**" means the Guarantor and its Subsidiaries (whether direct or indirect and including, but not limited to, the Borrowers and the Collateral Owner) from time to time during the Facility Period and "**member of the Group**" shall be construed accordingly.

"**Guarantee**" means the guarantee and indemnity referred to in Clause 10.1.3 (*Security Documents*).

"**Guarantor**" means Diana Shipping Inc., of the Republic of the Marshall Islands, and/or (where the context permits) any other person who shall at any time during the Facility Period give to the Lender a guarantee and/or indemnity for the repayment of all or part of the Indebtedness.

"**IAPPC**" means a valid international air pollution prevention certificate for a Vessel issued under Annex VI.

"**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 the Lender under all or any of the Finance Documents.

"**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 Payment Date**" means each date for the payment of interest in accordance with Clause 7.7 (*Accrual and payment of interest*).

"**Interest Period**" means each period for the determination and payment of interest selected by the Borrowers or agreed or selected by the Lender pursuant to Clause 7 (*Interest*).

"**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.

"**ISPS Company**" means, at any given time, the company responsible for a Vessel's compliance with the ISPS Code.

"**ISSC**" means a valid international ship security certificate for a Vessel issued under the ISPS Code.

"**LIBOR**" means:

(a) the applicable Screen Rate; or

(b) (if no Screen Rate is available for any Interest Period) the arithmetic mean of the rates (rounded upwards to four decimal places) quoted to the Lender in the London interbank market,

at 11.00 a.m. two (2) Business Days before the first day of the relevant Interest Period for the offering of deposits in Dollars in an amount comparable to the Loan (or any relevant part of the Loan) and for a period comparable to the relevant Interest Period and, if any such rate is below zero, LIBOR will be deemed to be zero.

"**Loan**" means the aggregate amount advanced or to be advanced by the Lender to the Borrowers under Clause 4 (*Advance*) or, where the context permits, the amount advanced and for the time being outstanding.

"**Management Agreements**" means the agreements for the commercial and/or technical management of the Vessels between the Borrowers respectively and the Managers, in form and substance acceptable to the Lender, and "**Management Agreement**" means any one of them.

"**Managers**" means Diana Shipping Services S.A., of the Republic of Panama, or such other reputable commercial and/or technical managers of the Vessels nominated by the Borrowers as the Lender may approve in its absolute discretion.

"**Managers' Undertakings**" means the letters of undertaking referred to in Clause 10.1.8 (*Security Documents*) and "**Managers' Undertaking**" means any one of them.

"**Mandatory Cost**" means the percentage rate per annum calculated by the Lender in accordance with Schedule 2 (*Calculation of Mandatory Cost*).

"**Margin**" means three per cent (3%) per annum.

"**Maximum Loan Amount**" means eighteen million Dollars ($18,000,000).

"**Mortgagees Insurances**" means all policies and contracts of mortgagee's interest insurance, mortgagee's interest insurance additional perils (pollution) and any other insurance from time to time taken out by the Lender in relation to a Vessel.

"**Mortgages**" means the preferred mortgages referred to in Clause 10.1.1 (*Security Documents*) and "**Mortgage**" means any one of them.

"**Obligatory Insurances**" means the insurances and entries referred to in Clauses 12.5.1, 12.5.2, 12.5.3 and, where applicable, those referred to in Clauses 12.5.4 and 12.5.7.

"**Original Financial Statements**" means the audited consolidated financial statements of the Guarantor for the financial year ended 31 December 2012.

"**Permitted Encumbrance**" means (a) any Encumbrance which has been disclosed in writing to, and approved in writing by, the Lender on the date of this Agreement, or (b) any Encumbrance in favour of the Lender pursuant to the Finance Documents or (c) any lien on a Vessel for master's, officer's or crew's wages outstanding in the ordinary course of trading, or (d) any lien for salvage, or (e) any ship repairer's or outfitter's possessory lien on a Vessel for a sum not (except with the prior written consent of the Lender) exceeding the Threshold Amount, or (f) any other liens incurred in the ordinary course of business by operation of law and securing Borrowers' or, as the case may be, Collateral Owner's overdue obligations of no longer than thirty (30) days from the date of their occurrence.

"**Pledgor**" means the Guarantor in its capacity as pledgor.

"**Relevant Documents**" means the Finance Documents, the Charters and the Management Agreements.

"**Repayment Date**" means the date for payment of any Repayment Instalment in accordance with Clause 5.1 (*Repayment of Loan*).

"**Repayment Instalment**" means any instalment of the Loan to be repaid by the Borrowers under Clause 5.1 (*Repayment of Loan*).

"**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).

"**Screen Rate**" means in relation to LIBOR, the British Bankers' Association Interest Settlement Rate for the relevant currency and period displayed on page LIBOR 01 of the Reuters screen. If the agreed page is replaced or the service ceases to be available, the Lender may specify another page or service displaying the appropriate rate after consultation with the Borrowers.

"**Security Cover Ratio**" means the ratio of the aggregate of (i) the Fair Market Value of the Borrowers' Vessels, (ii) the Fair Market Value of the Collateral Vessel less the Collateral Owner's Indebtedness or any other indebtedness secured by first priority security over the Collateral Vessel and (iii) 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 Lender (in the case of other charged assets), and determined by the Lender in its discretion (in all other cases)) for the time being provided to the Lender under Clause 10.12 *(Additional Security)* to the amount of the Loan outstanding.

"**Security Documents**" means the Mortgages, the Assignments, the Guarantee, the Share Pledges, the Collateral Guarantee, the Collateral Mortgage, the Collateral Assignment, the Managers' Undertakings 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 all or any part of the Indebtedness and "**Security Document**" means any one of them.

"**Security Parties**" means the Borrowers, the Collateral Owner, the Guarantor, the Pledgor, the Managers and any other person who may at any time during the Facility Period be liable for, or provide security for, all or any part of the Indebtedness, and "**Security Party**" means any one of them.

"**Share Pledges**" means the pledges of shares referred to in Clause 10.1.4 (*Security Documents*).

"**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.

"**SMS**" means a safety management system for a Vessel developed and implemented in accordance with the ISM Code.

"**Subsidiaries**" means any company or entity directly or indirectly controlled by such person, and for this purpose "control" means either the ownership of more than fifty per cent (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity or the power to direct its policies and management, whether by contract or otherwise and "**Subsidiary**" means any one of them.

"**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).

"**Threshold Amount**" means one million Dollars ($1,000,000) or its equivalent in any other currency.

"**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, confiscation, hijacking, theft or condemnation of a Vessel by any government or by persons acting or purporting to act on behalf of any government or otherwise, unless a Vessel is released and returned to the possession of the Borrower or the Collateral Owner within sixty (60) days after the capture, seizure, arrest, detention, confiscation, hijacking, theft or condemnation in question.

"**Vessels**" means the Borrower's Vessels and the Collateral Vessel and "**Vessel**" means any one of them.

1.2 In this Agreement:

1.2.1 words denoting the plural number include the singular and vice versa;

1.2.2 words denoting persons include corporations, partnerships, associations of persons (whether incorporated or not) or governmental or quasi-governmental bodies or authorities and vice versa;

1.2.3 references to Recitals, Clauses and Schedules are references to recitals, clauses and schedules to or of this Agreement;

1.2.4 references to this Agreement include the Recitals and the Schedules;

1.2.5 the headings and contents page(s) are for the purpose of reference only, have no legal or other significance, and shall be ignored in the interpretation of this Agreement;

1.2.6 references to any document (including, without limitation, to all or any of the Relevant Documents) are, unless the context otherwise requires, references to that document as amended, supplemented, novated or replaced from time to time;

1.2.7 references to "**indebtedness**" include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

1.2.8 references to statutes or provisions of statutes are references to those statutes, or those provisions, as from time to time amended, replaced or re-enacted;

1.2.9 references to the Lender include its successors, transferees and assignees; and

1.2.10 a time of day (unless otherwise specified) is a reference to London time.

1.3 **Offer letter**

This Agreement supersedes the terms and conditions contained in any correspondence relating to the subject matter of this Agreement exchanged between

the Lender and the Borrowers or their representatives prior to the date of this Agreement.

## 2 The Loan and its Purpose

2.1 **Amount** Subject to the terms of this Agreement, the Lender agrees to make available to the Borrowers a term loan in an aggregate amount not exceeding the Maximum Loan Amount.

2.2 **Purpose** The Borrowers shall apply the Loan for the purposes referred to in Recital (B).

2.3 **Monitoring** The Lender shall not be bound to monitor or verify the application of any amount borrowed under this Agreement.

## 3 Conditions of Utilisation

3.1 **Conditions precedent** The Borrowers are not entitled to have the Loan advanced unless the Lender has received all of the documents and other evidence listed in Part I of Schedule 1 (*Conditions precedent*).

3.2 **Further conditions precedent** The Lender will only be obliged to advance the Loan if on the date of the Drawdown Notice and on the proposed Drawdown Date:

3.2.1 no Default is continuing or would result from the advance of the Loan;

3.2.2 the representations made by the Borrowers under Clause 11(*Representations*) are true in all material respects; and

3.2.3 there is no material adverse change on the reputation, business, assets, financial condition or credit worthiness of the Borrower or the Guarantor.

3.3 **Conditions subsequent** The Borrowers undertake to deliver or to cause to be delivered to the Lender on, or as soon as practicable after, the Drawdown Date the additional documents and other evidence listed in Part II of Schedule I (*Conditions subsequent*), save that references in that Part II to "the Vessel" or to any person or document relating to a Vessel shall be deemed to relate solely to any Vessel specified in the relevant Drawdown Notice or to any person or document relating to that Vessel respectively.

3.4 **No waiver** If the Lender in its sole discretion agrees to advance the Loan to the Borrowers before all of the documents and evidence required by Clause 3.1 (*Conditions precedent*) have been delivered to or to the order of the Lender, the Borrowers undertake to deliver all outstanding documents and evidence to or to the order of the Lender no later than thirty (30) days after the Drawdown Date or such other date specified by the Lender.

The advance of the Loan under this Clause 3.4 shall not be taken as a waiver of the Lender's right to require production of all the documents and evidence required by Clause 3.1 (*Conditions precedent*).

3.5 **Form and content** All documents and evidence delivered to the Lender under this Clause 3 shall:

3.5.1 be in form and substance acceptable to the Lender; and

3.5.2 if required by the Lender, be certified, notarised, legalised or attested in a manner acceptable to the Lender.

**4 Advance**

The Borrowers may request the Loan to be advanced in one amount on any Business Day prior to the Availability Termination Date by delivering to the Lender a duly completed Drawdown Notice not more than ten (10) and not fewer than two (2) Business Days before the proposed Drawdown Date. Any such Drawdown Notice shall be signed by authorised signatories of the Borrowers and, once delivered, is irrevocable.

5 Repayment

5.1 **Repayment of Loan** The Borrowers agree to repay the Loan to the Lender by twenty (20) consecutive quarterly instalments, the first nineteen (19) such repayment instalments each in the sum of three hundred and seventy five thousand Dollars ($375,000) and the twentieth (20th) and final such repayment instalment in the amount of ten million eight hundred and seventy five thousand Dollars ($10,875,000) comprising a repayment instalment of three hundred and seventy five thousand Dollars ($375,000) and a balloon amount of ten million five hundred thousand Dollars ($10,500,000), the first instalment falling due on the date which is three calendar months after the Drawdown Date and subsequent instalments falling due at consecutive intervals of three calendar months thereafter

and with the last instalment, together with any other amounts then outstanding under the Indebtedness, falling due on the Final Maturity Date.

5.2 **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.

5.3 **Reborrowing** The Borrowers may not reborrow any part of the Loan which is repaid or prepaid.

## 6 Prepayment

6.1 **Illegality** If it becomes unlawful in any jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Loan:

6.1.1 the Lender shall promptly notify the Borrowers of that event; and

6.1.2 the Borrowers shall repay the Loan (to the extent already advanced) on the last day of the current Interest Period or, if earlier, the date specified by the Lender in the notice delivered to the Borrowers (being no earlier than the last day of any applicable grace period permitted by law).

6.2 **Voluntary prepayment of Loan** The Borrowers may prepay or cancel 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 one million Dollars ($1,000,000) subject as follows, or as otherwise agreed by the Lender in its absolute discretion:

6.2.1 they give the Lender not less than five (5) Business Days' (or such shorter period as the Lender may agree) prior notice;

6.2.2 no prepayment may be made until after the Availability Termination Date;

6.2.3 prepayments may only be made on an Interest Payment Date; and

6.2.4 any prepayment under this Clause 6.2 shall satisfy the obligations under Clause 5.1 (*Repayment of Loan*) in inverse order of maturity or pro rata, at the Borrower's option, in the absence of which, it shall be at the Lender's option.

6.3 **Mandatory prepayment on sale or Total Loss** If there is a Prepayment Event, the Borrowers shall, simultaneously with any such sale or on the earlier of the date falling one hundred and eighty (180) days after any such Total Loss and the date on which the proceeds of any such Total Loss are realised, make a prepayment:

(a) in the case of the first Borrower's Vessel or the Collateral Vessel to suffer a Prepayment Event, an amount of the Loan which, after giving credit to the prepayment, results in the Fair Market Value of the remaining Vessel(s) and any other security granted in favour of the Lender being the greater of (i) the Security Cover Ratio existing at the time of such Prepayment Event and (ii) 125% of the Loan outstanding, and any such prepayment shall be applied in prepayment of the remaining Repayment Instalments upon a Prepayment Event of (1) the first Borrower's Vessel, pro rata and (2) the Collateral Vessel, in inverse order of maturity; and

(b) in the case of the last of the Borrower's Vessels to suffer a Prepayment Event, a prepayment equal to the whole of the Indebtedness and in addition, any part of the Loan not drawn down shall be automatically cancelled.

For the purposes of this Clause 6.3 a "**Prepayment Event**" means a sale or Total Loss of a Vessel.

6.4 **Restrictions** Any notice of prepayment given under this Clause 6 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.

Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs.

## 7 Interest

7.1 **Interest Periods** The period during which the Loan shall be outstanding under this Agreement shall be divided into consecutive Interest Periods of three or six months' duration, as selected by the Borrowers by written notice to the Lender not later than 11.00 a.m. on the third Business Day before the beginning of the Interest Period in question, or such other duration as may be agreed by the Lender.

7.2 **Beginning and end of Interest Periods** Each Interest Period shall start on the Drawdown 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 Drawdown Date or the last day of the preceding Interest Period in the relevant calendar month except that, if there is no numerically corresponding date in that calendar month, the Interest Period shall end on the last Business Day in that month and no Interest Period may exceed the Final Maturity Date.

7.3 **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.

7.4 **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).

7.5 **Interest rate** During each Interest Period interest shall accrue on the Loan at the rate determined by the Lender to be the aggregate of (a) the Margin, (b) LIBOR and (c) the Mandatory Cost, if any.

7.6 **Failure to select Interest Period** If the Borrowers at any time fail to select or agree an Interest Period in accordance with Clause 7.1 (*Interest Periods*), the interest rate applicable shall be the rate determined by the Lender in accordance with Clause 7.5 (*Interest rate*) for an Interest Period of three (3) months or such other duration as the Lender may select.

7.7 **Accrual and payment of interest** Interest shall accrue from day to day, shall be calculated on the basis of a 360 day year and the actual number of days elapsed (or, in any circumstance where market practice differs, in accordance with the prevailing market practice) and shall be paid by the Borrowers to the Lender on the last Business Day of each Interest Period and, if the Interest Period is longer than three months, on the dates falling at three monthly intervals after the first day of that Interest Period.

7.8 **Default interest** If a Borrower 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 (2%) 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 selected by the Lender (acting reasonably). Any interest accruing under this Clause 7.8 shall be immediately payable by that Borrower on demand by the Lender.

7.9 **Alternative interest rate** If either (a) the applicable Screen Rate is not available for any Interest Period and no rates are quoted to the Lender to determine LIBOR for that Interest Period or (b) the Lender determines that the cost to it of obtaining matching deposits for any Interest Period would be in excess of LIBOR and that determination is made no later than close of business in London on the day LIBOR is determined for that Interest Period:

7.9.1 the Lender shall give notice to the Borrowers of the occurrence of such event; and

7.9.2 the rate of interest on the Loan for that Interest Period shall be the rate per annum which is the sum of:

(a) the Margin; and

(b) the rate which expresses as a percentage rate per annum the cost to the Lender of funding the Loan from whatever source it may reasonably select; and

(c) the Mandatory Cost, if any,

PROVIDED THAT if the resulting rate of interest is not acceptable to the Borrowers:

7.9.3 the Lender will negotiate with the Borrowers in good faith with a view to modifying this Agreement to provide a substitute basis for determining the rate of interest;

7.9.4 any substitute basis agreed pursuant to Clause 7.9.3 shall be binding on the parties to this Agreement; and

7.9.5 if, within thirty (30) days of the giving of the notice referred to in Clause 7.9.1, the Borrowers and the Lender fail to agree in writing on a

substitute basis for determining the rate of interest, the Borrowers will immediately prepay the Loan, together with accrued interest (calculated in accordance with Clause 7.9.2) and any Break Costs.

7.10 Determinations conclusive The Lender shall promptly notify the Borrowers of the determination of a rate of interest under this Clause 7 and each such determination shall (save in the case of manifest error) be final and conclusive.

## 8 Indemnities

8.1 Transaction expenses The Borrowers will, within fourteen (14) days of the Lender's written demand, pay the Lender the amount of all costs and expenses (including legal fees and Value Added Tax or any similar or replacement tax if applicable) incurred by the Lender in connection with:

8.1.1 the negotiation, preparation, printing, execution and registration of the Finance Documents (whether or not any Finance Document is actually executed or registered and whether or not all or any part of the Loan is advanced);

8.1.2 any amendment, addendum or supplement to any Finance Document (whether or not completed) (except from those pursuant to Clause 14 *(Assignment and Sub-participation));*

8.1.3 any other document which may at any time be required by the Lender to give effect to any Finance Document or which the Lender is entitled to call for or obtain under any Finance Document (including, without limitation, any valuation of the Vessels); and

8.1.4 any discharge, release or reassignment of any of the Security Documents.

8.2 **Funding costs** The Borrowers shall indemnify the Lender promptly on the Lender's written demand against all losses and costs incurred or sustained by the Lender if, for any reason, the Loan is not advanced to the Borrowers after the relevant Drawdown Notice has been given to the Lender, or is advanced on a date other than that requested in the Drawdown Notice (unless, in either case, as a result of any default by the Lender).

8.3 **Break Costs** The Borrowers shall pay to the Lender promptly on the Lender's written demand the amount of all costs, losses, premiums or penalties incurred or to be incurred by the Lender as a result of its receiving any prepayment of all or any part of the Loan (whether pursuant to Clause 6 (*Prepayment*) or otherwise) on a day other than the last day of an Interest Period for the Loan or relevant part of the Loan, or any other payment under or in relation to the Finance Documents on a day other than the due date for payment of the sum in question, including (without limitation) any losses or costs incurred in liquidating or re-employing deposits from third parties acquired to effect or maintain all or any part of the Loan.

8.4 **Currency indemnity** In the event of the Lender receiving or recovering any amount payable under a Finance Document in a currency other than the Currency of Account, and if the amount received or recovered is insufficient when converted into the Currency of Account at the date of receipt to satisfy in full the amount due, the Borrowers shall, promptly on the Lender's written demand, pay to the Lender such further amount in the Currency of Account as is sufficient to satisfy in full the amount due and that further amount shall be due to the Lender as a separate debt under this Agreement.

8.5 **Increased costs (subject to Clause 8.6 (*Exceptions to increased costs*))** If, by reason of the introduction of any law, or any change in any law, or any change in the interpretation or administration of any law, or compliance with any request or requirement from any central bank or any fiscal, monetary or other authority occurring after the date of this Agreement (including the implementation or application of or compliance with the Basel II Accord or any other Basel II Regulation or Basel III (whether such implementation, application or compliance is by any central bank or any fiscal, monetary or other authority, the Lender or the holding company of the Lender)):

8.5.1 the Lender (or the holding company of the Lender) shall be subject to any Tax with respect to payment of all or any part of the Indebtedness (other than Tax on overall net income); or

8.5.2 the basis of Taxation of payments to the Lender in respect of all or any part of the Indebtedness shall be changed; or

8.5.3 any reserve requirements shall be imposed, modified or deemed applicable against assets held by or deposits in or for the account of or loans by any branch of the Lender; or

8.5.4 the manner in which the Lender allocates capital resources to its obligations under this Agreement or any ratio (whether cash, capital adequacy, liquidity or otherwise) which the Lender is required or requested to maintain shall be affected; or

8.5.5 there is imposed on the Lender (or on the holding company of the Lender) any other condition in relation to the Indebtedness or the Finance Documents;

and the result of any of the above shall be to increase the cost to the Lender (or to the holding company of the Lender) of the Lender making or maintaining the Loan, or to cause the Lender to suffer (in its opinion) a material reduction in the rate of return on its overall capital below the level which it reasonably anticipated at the date of this Agreement and which it would have been able to achieve but for its entering into this Agreement and/or performing its obligations under this Agreement, or to cause a reduction in any amount due and payable to the Lender under any of the Finance Documents, then, subject to Clause 8.6 (*Exceptions to increased costs*), the Lender shall notify the Borrowers and the Borrowers shall from time to time pay to the Lender on demand the amount which shall compensate the Lender (or the holding company of the Lender) for such additional cost or reduced return or reduced amount. A certificate signed by an authorised signatory of the Lender setting out the amount of that payment and the basis of its calculation shall be submitted to the Borrowers and shall be conclusive evidence of such amount save for manifest error or on any question of law.

For the purposes of this Clause 8.5:

"**Basel II Accord**" means the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement;

"**Basel II Approach**" means, in relation to the Lender, either the Standardised Approach or the relevant Internal Ratings Based Approach (each as defined in the

Basel II Accord) adopted by the Lender (or its holding company) for the purpose of implementing or complying with the Basel II Accord;

"**Basel II Regulation**" means (a) any law or regulation implementing the Basel II Accord or (b) any Basel II Approach adopted by the Lender;

"**Basel III**" means (a) 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, (b) 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 and (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III"; and

"**holding company**" means, in respect of the Lender, the company or entity (if any) within the consolidated supervision of which the Lender is included.

8.6 **Exceptions to increased costs** Clause 8.5 (*Increased costs*) does not apply to the extent any additional cost or reduced return referred to in that Clause is:

8.6.1 compensated for by a payment made under Clause 8.10 (*Taxes*)*;* or

8.6.2 compensated for by a payment made under Clause 16.3 (*Grossing-up*)*;* or

8.6.3 compensated for by the payment of the Mandatory Cost; or

8.6.4 attributable to the wilful breach by the Lender (or the holding company of the Lender) of any law or regulation.

8.7 **Events of Default** The Borrowers shall indemnify the Lender from time to time promptly on the Lender's written demand against all losses, costs and liabilities incurred or sustained by the Lender as a consequence of any Event of Default.

8.8 **Enforcement costs** The Borrowers shall pay to the Lender promptly on the Lender's written demand the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document including (without limitation) any losses, costs and expenses which the Lender may from time to time sustain, incur or become liable for by reason of the Lender being mortgagee of a Vessel and/or a lender to the Borrowers, or by reason of the Lender 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.

8.9 **Other costs** The Borrowers shall pay to the Lender promptly on the Lender's written demand the amount of all sums which the Lender 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 the Lender may pay or guarantees which it may give in respect of the Insurances, any expenses incurred by the Lender 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 the Lender may pay or guarantees which it may give to procure the release of a Vessel from arrest or detention.

8.10 **Taxes** The Borrowers shall pay all Taxes to which all or any part of the Indebtedness or any Finance Document may be at any time subject (other than Tax on the Lender's overall net income) and shall indemnify the Lender promptly on the Lender's written demand against all liabilities, costs, claims and expenses resulting from any omission to pay or delay in paying any such Taxes.

8.11 **Cancellation** The Borrowers may cancel the Loan and prepay to the Lenders the full amount of the Indebtedness, if a Finance Party makes a claim under Clauses 8.5 or 8.10. Any prepayment under this Clause shall be made together with accrued interest on the amount prepaid and Break Costs.

## 9 Fees

9.1 **Commitment fee** The Borrowers shall pay to the Lender a fee computed at the rate of zero point fifty per cent (0.50%) per annum on the undrawn amount of the Loan from time to time from the date of this Agreement until the earlier of the

Drawdown Date and the Availability Termination Date or the date on which the Borrowers cancel the whole of the undrawn amount of the Loan by giving to the Lender relevant notice in writing to that effect. The accrued commitment fee is payable on the last day of each successive period of three months from the date of this Agreement and on the Drawdown Date.

9.2 **Arrangement fee** The Borrowers shall pay to the Lender a non-refundable arrangement fee in the amount of two hundred and twenty five thousand Dollars ($225,000) on the date of this Agreement.

9.3 **Administration fee** The Borrowers shall pay to the Lender a non-refundable administration fee in the amount of five thousand Dollars ($5,000) on the date of this Agreement and on each anniversary of the date of this Agreement.

**10 Security and Application of Moneys**

10.1 **Security Documents** As security for the payment of the Indebtedness, the Borrowers shall execute and deliver to the Lender or cause to be executed and delivered to the Lender the following documents in such forms and containing such terms and conditions as the Lender shall require:

10.1.1 first preferred mortgages over the Borrower's Vessels;

10.1.2 first priority deeds of assignment of the Insurances, Earnings, Charters and Requisition Compensation of the Borrowers' Vessels;

10.1.3 a guarantee and indemnity from the Guarantor;

10.1.4 first priority charge of all the issued shares of the Borrowers;

10.1.5 a guarantee and indemnity from the Collateral Owner;

10.1.6 a second preferred mortgage over the Collateral Vessel;

10.1.7 a second priority deed of assignment of the Insurances, Earnings and Requisition Compensation of the Collateral Vessel; and

10.1.8 a letter of undertaking and subordination from the Managers incorporating an assignment of Insurances in respect of each Vessel.

10.2 **Earnings Accounts** The Borrowers shall maintain the Earnings Accounts with the Lender 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.

10.3 **Earnings** The Borrowers shall procure that all Earnings and any Requisition Compensation are credited to the relevant Earnings Account.

10.4 **Additional payments** If for any reason the amount standing to the credit of the Earnings Account is insufficient to make any transfer required by Clause I 0.4 (*Application of Earnings Account*), the Borrowers shall, without demand, procure that there is credited to the Lender, on the date on which the relevant amount would have been transferred from the Earnings Account, an amount equal to the amount of the shortfall.

10.5 **Application of Earnings Account** The Borrowers shall procure that there is transferred from the Earnings Account to the Lender:

10.5.1 on each Repayment Date, the amount of the Repayment Instalment then due; and

10.5.2 on each Interest Payment Date, the amount of interest then due,

and the Borrowers irrevocably authorise the Lender to make those transfers.

10.6 **Borrowers' obligations not affected** If for any reason the amount standing to the credit of the Retention 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.

10.7 **Release of surplus** Any amount remaining to the credit of the Earnings Account following the making of any transfer required by Clause 10.5 (*Application of Earnings Account*) shall (unless a Default shall have occurred and be continuing) be released to or to the order of the Borrowers.

10.8 **Relocation of Earnings Accounts** At any time following the occurrence and during the continuation of a Default, the Lender may without the consent of the Borrowers relocate either or both of the Earnings Accounts to any other branch of the Lender, without prejudice to the continued application of this Clause 10 and the rights of the Lender under the Finance Documents. In the event that such

relocation of the Earnings Accounts requires the consent of the Borrowers under any law or statute then the Borrowers covenant to co-operate fully with the Lender in connection with such relocation of Earnings Accounts and shall, without limitation, execute and procure the execution of such documents as the Lender may require in this connection.

10.9 **Application after acceleration** From and after the giving of notice to the Borrowers by the Lender under Clause 13.2 (*Acceleration*), the Borrowers shall procure that all sums from time to time standing to the credit of either of the Earnings Account are immediately transferred to the Lender for application in accordance with Clause 10.10 (*General application of moneys*) and the Borrowers irrevocably authorise the Lender to make those transfers.

10.10 **General application of moneys** The Borrowers irrevocably authorise the Lender to apply all sums which the Lender receives and is entitled to receive:

10.10.1 pursuant to a sale or other disposition of a Vessel or any right, title or interest in a Vessel; or

10.10.2 by way of payment of any sum in respect of the Insurances, Earnings, Charters or Requisition Compensation; or

10.10.3 by way of transfer of any sum from either of the Earnings Account; or

10.10.4 otherwise under or in connection with any Security Document,

in or towards satisfaction, or by way of retention on account, of the Indebtedness in such manner as the Lender shall require.

10.11 **Application of moneys on sale or Total Loss** The Borrower irrevocably authorises the Lender to apply all sums which the Lender may receive pursuant to a sale by the Borrowers or a Total Loss in or towards satisfaction of the prepayment due and payable under Clause 6.3 (*Mandatory prepayment on sale or Total Loss*) by virtue of that sale or Total Loss, but the Borrower's obligation to make that prepayment shall not be affected if those sums are insufficient to satisfy that obligation.

10.12 **Additional security** If at any time during the Facility Period the Security Cover Ratio is less than one hundred and twenty five per cent (125%), the Borrowers shall, within thirty (30) days of the Lender's request, at the Borrowers' option:

10.12.1 pay to the Lender or to its nominee a cash deposit in the amount of the shortfall to be secured in favour of the Lender as additional security for the payment of the Indebtedness; or

10.12.2 give to the Lender other additional security in amount and form acceptable to the Lender in its discretion; or

10.12.3 prepay the Loan in the amount of the shortfall.

Clauses 5.3 (*Reborrowing*), 6.2.4 (*Voluntary prepayment of Loan*) and 6.4 (*Restrictions*) shall apply, *mutatis mutandis*, to any prepayment made under this Clause 10.12 and the value of any additional security provided shall be determined as stated above.

10.13 **Fair Market Value determination** The fair market value shall be conclusively determined at any time throughout the Facility Period, by an Approved Broker selected by the Borrowers in their sole discretion appointed by, and reporting to, the Lender 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. In the event that such Approved Broker provides a range, then the lowest amount of the range will apply. If the Lender determines in its sole discretion that the valuation referred to above, is not sufficient to accurately determine the Fair Market Value, the Lender shall then have the option to obtain another valuation from an Approved Broker and the Fair Market Value shall be determined as the average of the two valuations.

10.14 **Cost of valuations** For the purposes of Clause 10.13, the cost of one set of valuations per annum shall be borne by the Borrowers, unless there is an Event of Default which is continuing, in which case the cost of all valuations obtained from time to time upon the request of the Lender shall be borne by the Borrowers.

## 11 Representations

11.1 **Representations** The Borrowers make the representations and warranties set out in this Clause 11.1 to the Lender on the date of this Agreement.

11.1.1 **Status** Each Security Party (which is not an individual) is a corporation, duly incorporated and validly existing under the law of its jurisdiction of

incorporation and has the power to own its assets and carry on its business as it is being conducted.

11.1.2 **Binding obligations** The obligations expressed to be assumed by each Security Party in each Finance Document to which it is a party are legal, valid, binding and enforceable obligations.

11.1.3 **Non-conflict with other obligations** The entry into and performance by each Security Party of, and the transactions contemplated by, the Finance Documents do not conflict with:

(a) any law or regulation applicable to that Security Party;

(b) the constitutional documents of that Security Party; or

(c) any document binding on that Security Party or any of its assets,

and in borrowing the Loan, the Borrowers are acting for their own account.

11.1.4 **No established place of business in the UK or US** No Security Party has an established place of business in the United Kingdom or the United States of America.

11.1.5 **Power and authority** Each Security Party 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 Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

11.1.6 **Validity and admissibility in evidence** All consents, licences, approvals, authorisations, filings and registrations required or desirable:

(a) to enable each Security Party lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party or to enable the Lender to enforce and exercise all its rights under the Finance Documents; and

(b) to make the Finance Documents to which any Security Party is a party admissible in evidence in its jurisdiction of incorporation,

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 1 (*Conditions subsequent*).

11.1.7 **Governing law and enforcement** The choice of a particular law as the governing law of any Finance Document expressed to be governed by that law will be recognised and enforced in the jurisdiction of incorporation of each relevant Security Party, and any judgment obtained in the jurisdiction submitted to in any Finance Document will be recognised and enforced in the jurisdiction of incorporation of each relevant Security Party.

11.1.8 **Deduction of Tax** No Security Party 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.

11.1.9 **No filing or stamp taxes** Under the law of jurisdiction of incorporation of each relevant Security Party it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents.

11.1.10 **No default** No Event of Default is continuing or might reasonably be expected to result from the advance of the Loan.

11.1.11 **No misleading information** Any factual information provided by any Security Party to the Lender was true and accurate in all material respects as at the date it was provided.

11.1.12 **Pari passu ranking** The payment obligations of each Security Party under the Finance Documents to which it is a party rank at least pari passu with any present or future claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

11.1.13 **No proceedings pending or threatened** No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency have been started or (to the best of the Borrowers' knowledge threatened)

which, if adversely determined, might reasonably be expected to have a materially adverse effect on the business, assets, financial condition or credit worthiness of any Security Party.

11.1.14 **Disclosure of material facts** The Borrowers are not aware of any material facts or circumstances which have not been disclosed to the Lender and which might, if disclosed, have adversely affected the decision of a person considering whether or not to make loan facilities of the nature contemplated by this Agreement available to the Borrowers.

11.1.15 **Completeness of Relevant Documents** The copies of any Relevant Documents provided or to be provided by the Borrowers to the Lender in accordance with Clause 3 (*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 Lender.

11.1.16 **No money laundering** In relation to the borrowing by the Borrowers of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents to which it is a party, the Borrowers confirm to the Lender that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

11.1.17 **Financial statements** The financial statements provided pursuant to Clause 12.1 (*Information undertakings*) are accurate and reveal the true financial position of the relevant Security Parties.

11.2 **Repetition** Each representation and warranty in Clause 11.1 (*Representations*) is deemed to be repeated by the Borrowers by reference to the facts and circumstances

then existing on the date of each Drawdown Notice and the first day of each Interest Period.

## 12 Undertakings and Covenants

The undertakings and covenants in this Clause 12 remain in force for the duration of the Facility Period.

### 12.1 Information undertakings

12.1.1 **Financial statements** The Borrowers shall procure that the Guarantor shall supply to the Lender as soon as the same become available, but in any event within 120 days after the end of each of its financial years, the Guarantor's annual audited consolidated financial statements for that financial year, together with a Compliance Certificate, signed by two directors of the Guarantor, setting out (in reasonable detail) computations as to compliance with Clause 12.2 (*Financial covenants*) as at the date as at which those financial statements were drawn up.

12.1.2 **Requirements as to financial statements** Each set of financial statements delivered by the Borrowers or the Guarantor under Clause 12.1.1 (*Financial statements*)*:*

(a) shall be certified by a director of the Guarantor as fairly representing its financial condition as at the date as at which those financial statements were drawn up; and

(b) 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, the relevant Borrower notifies the Lender that there has been a change in GAAP, the accounting practices or reference periods and the Guarantor's auditors deliver to the Lender:

(i) 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

(ii) sufficient information, in form and substance as may be reasonably required by the Lender, to enable the Lender to make an accurate comparison between the financial position indicated in those financial statements and that indicated in the Original Financial Statements.

12.1.3 **Interim financial statements** The Borrowers shall procure that the Guarantor shall supply to the Lender as soon as the same become available, but in any event within 90 days after the end of each quarter during each of its financial years, the Guarantor's unaudited quarterly financial statements for that quarter.

12.1.4 **Information: miscellaneous** The Borrowers shall supply to the Lender:

(a) all documents dispatched by any Borrower to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;

(b) promptly upon becoming aware of them, details of any litigation, arbitrationor administrative proceedings which are current, threatened or pending against any Security Party, and which might, if adversely determined, have a materially adverse effect on the business, assets, financial condition or credit worthiness of that Security Party; and

(c) promptly, such further information regarding the financial condition, business and operations of any Security Party as the Lender may reasonably request including, without limitation, cash flow analyses and details of the operating costs of any Vessel.

12.1.5 **Notification of default**

(a) The Borrowers shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

(b) Promptly upon a request by the Lender, each Borrower shall supply to the Lender 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).

12.1.6 "**Know your customer" checks 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 a Borrower after the date of this Agreement; or

(c) a proposed assignment or transfer by the Lender of any of its rights and obligations under this Agreement,

obliges the Lender (or, in the case of (c) above, 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, the Borrowers shall promptly upon the request of the Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Lender (for itself or, in the case of (c) above, on behalf of any prospective new Lender) in order for the Lender (or, in the case of (c) above, 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.

12.2 **Financial covenants**

12.2.1 Each Borrower shall maintain from the Drawdown Date throughout the Facility Period Cash of not less than $500,000 for each Borrower's Vessel.

12.2.2 The Borrower shall procure that the Guarantor shall maintain the following financial ratios on a consolidated basis throughout the Facility Period:

(a) Adjusted Net Worth shall not be less than $150,000,000;

(b) Adjusted Net Worth shall not be less than 25% of the Total Assets;

and

(c) Liquid Funds shall not be less than $500,000 for each Fleet Vessel.

12.2.3 In the event that after the date of this Agreement, the Guarantor enters into any financial agreement in which it agrees to any further financial covenants or any different covenant ratios in relation to those contained in Clauses 12.2.1 and 12.2.2, the Lender reserves the right to demand that these financial covenants shall become part of this Agreement.

For the purposes of this Clause 12.2:

"**Accounting Information**" means the quarterly consolidated financial statements and/or the annual consolidated financial statements to be provided by the Guarantor to the Lender in accordance with Clauses 12.1.1 and 12.1.3.

"**Accounting Period**" means each consecutive period of approximately three months falling during the Facility Period (ending on the last day in March, June, September and December of each year) for which quarterly Accounting Information is required to be delivered pursuant to Clause 12.1.3.

"**Adjusted Net Worth**" means, in respect of an Accounting Period, the amount of Total Assets less Consolidated Debt.

"**Cash**" means cash in hand which is not subject to any charge back or other Encumbrance and to which a Borrower or the Guarantor (as the context requires) has free, immediate and direct access.

"**Consolidated Debt**" means, in respect of an Accounting Period, the aggregate amount of Debt owing by members of the Group (other than any such Debt owing by any member of the Group to another member of the Group) as stated in the then most recent Accounting Information.

"**Current** Assets" means, in respect of each Accounting Period, the aggregate of the cash and marketable securities, trade and other receivables from persons other than a member of the Group realisable within one year, inventories and prepaid expenses which are to be charged to income within one year less any doubtful debts and any discounts or allowances given as stated in the then most recent

Accounting Information.

"**Debt**" means the aggregate (as of the date of calculation) of all obligations of the Group then outstanding for the payment or repayment of money as stated in the Accounting Information then most recently required to be delivered pursuant to Clause 12.1.1 or 12.1.3 including, without limitation:

(a) any amounts payable by the Group under leases or similar arrangements over their respective periods;

(b) any credit to the Group from a supplier of goods or under any instalment purchase or other similar arrangement;

(c) the aggregate amount then outstanding of liabilities and obligations of third parties to the extent that they are guaranteed by the Group;

(d) any contingent liabilities (including any taxes or other payments under dispute or arbitration) which have been or, under GAAP, should be recorded in the notes to the Group's financial statements; and

(e) any deferred tax liabilities.

"**Fleet Vessels**" means any vessel directly or indirectly owned by members of the Group.

"**Liquid Funds**" means, in respect of an Accounting Period, the aggregate of all unencumbered cash balances of the Group.

"**Tangible Fixed Assets**" means, in respect of an Accounting Period, the value (less depreciation computed in accordance with GAAP) on a consolidated basis of all the assets of the Group which would, in accordance with GAAP, be classified as tangible fixed assets, namely items held for ongoing use to the business of the Group including, without limitation, any land, plant, machinery and vessels as such value is stated in the then most recent Accounting Information Provided that, for the purposes of determining compliance with the covenants set forth in Clause 12.2.2, the value of such tangible fixed assets attributable to the Fleet Vessels shall be equal to the aggregate Fair Market Value of such Fleet Vessels rather than the value of such Fleet Vessels as stated in the then most recent Accounting Information.

"**Total Assets**" means, in respect of an Accounting Period, the aggregate of Current Assets and Tangible Fixed Assets.

12.3 **General undertakings**

12.3.1 **Authorisations** The Borrowers shall promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) supply certified copies to the Lender of,

any consent, licence, approval or authorisation required under any law or regulation to enable each Security Party to perform its obligations under the Finance Documents to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in the jurisdiction of incorporation of each relevant Security Party of any Finance Document.

12.3.2 **Compliance with laws** Each Borrower shall and shall procure that the Guarantor and the Collateral Owner shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

12.3.3 **Conduct of business** Each Borrower shall and shall procure that the Guarantor and the Collateral Owner shall carry on and conduct its business in a proper and efficient manner, file all requisite tax returns and pay all tax which becomes due and payable (except where contested in good faith).

12.3.4 **Evidence of good standing** The Borrowers will from time to time if requested by the Lender provide the Lender with evidence in form and substance satisfactory to the Lender that the Security Parties (other than the Guarantor for as long as it remains listed) and all corporate shareholders of any Security Party (other than the Guarantor for as long as it remains listed) remain in good standing.

12.3.5 **Negative pledge and no disposals** Neither Borrower shall without the prior written consent of the Lender create nor permit to subsist any Encumbrance or other third party rights (other than a Permitted

Encumbrance) over any of its present or future assets or undertaking nor dispose of any of those assets or of all or part of that undertaking, unless permitted under this Agreement.

12.3.6 **Merger** Neither Borrower shall and shall procure that the Guarantor and the Collateral Owner shall not enter into any amalgamation, demerger, merger or corporate reconstruction, reorganisation or consolidation.

12.3.7 **Change of business** Neither Borrower shall and shall procure that the Guarantor and the Collateral Owner shall not make any substantial change to the general nature of its business from that carried on at the date of this Agreement.

12.3.8 **No other business** Neither Borrower shall without the pnor written consent of the Lender engage in any business other than the ownership, operation, chartering and management of its Vessel.

12.3.9 **No place of business in UK or US** Neither Borrower shall and shall procure that the Guarantor and the Collateral Owner shall not have an established place of business in the United Kingdom or the United States of America at any time during the Facility Period.

12.3.10 **No borrowings** Neither Borrower shall borrow any money (except for the Loan and unsecured Financial Indebtedness subordinated to the Loan) nor incur any obligations under leases.

12.3.11 **No substantial liabilities** Except in the ordinary course of business and/or as may be required for the operation of the Vessels, neither Borrower incur any liability to any third party which is in the Lender's opinion of a substantial nature.

12.3.12 **No loans or other financial commitments** Neither Borrower shall (a) make any loan nor enter into any guarantee or indemnity or otherwise voluntarily assume any actual or contingent liability in respect of any obligation of any other person nor provide any other form of credit or financial assistance to (i) a person who is directly or indirectly interested in each Borrower's share or loan capital, or (ii) any company in or with which such a person is directly or indirectly interested or connected, or (b) enter into any transaction with or

involving such a person or company on terms which are, in any respect, less favourable to the Borrowers than those which it could obtain in a bargain made at arm's length on normal commercial terms.

12.3.13 **No dividends** Neither Borrower shall without the prior written consent of the Lender pay any dividends or make any other distributions or effect any form of redemption, purchase or return of share capital which would result in a breach of the financial covenants set out in Clause 12.2 or if an Event of Default has occurred and is continuing, unremedied and unwaived.

12.3.14 **Inspection of records** Each Borrower will and shall procure that the Guarantor and the Collateral Owner will permit the inspection of its financial records and accounts from time to time by the Lender or its nominee.

12.3.15 **No change in Relevant Documents** The Borrowers shall procure that, without the prior written consent of the Lender such consent not to be unreasonably withheld or unduly delayed, there shall be no termination of, alteration to any (in the Lender's opinion) material term of, or waiver of any (in the Lender's opinion) material term of, any of the Relevant Documents which are not Finance Documents.

12.3.16 **No change in capital** Neither Borrower shall reduce its issued share capital or issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital other than pursuant to an IPO.

12.3.17 **No securities** Neither Borrower shall acquire any shares or other securities other than US or UK Treasury bills, certificates of deposit issued by major North American or European banks and shares in newly established companies, or enter into any transaction in a derivative.

12.3.18 **Directors** Neither Borrower shall, without the prior written consent of the Lender, permit a majority of the seats (other than vacant seats) on the board of directors of a Borrower to be held by persons other than persons who are either (a) nominated by each Borrower's then current board of directors or (b) appointed by persons as so nominated in accordance with (a) above.

12.3.19 **Shareholders** Each Borrower shall procure that the Guarantor remains 100% shareholder of the Borrowers and the Collateral Owner.

12.3.20 **Subordination** The Borrowers shall subordinate in priority of payment to the Indebtedness any loans made to them by their shareholders or affiliated companies of the Borrowers or the Guarantor and any other present or future indebtedness of the Borrowers.

12.3.21 **No sharing agreement** The Borrowers shall not without the prior written consent of the Lender enter into any agreement or arrangement for sharing or pooling their Earnings.

12.4 **Vessel undertakings**

12.4.1 **No sale of Vessel** Neither Borrower shall and shall procure that the Collateral Owner shall not sell or otherwise dispose of its Vessel or any shares in its Vessel nor agree to do so without the prior written consent of the Lender.

12.4.2 **No chartering after Event of Default** Following the occurrence and during the continuation of an Event of Default neither Borrower shall and shall procure that the Collateral Owner shall not without the prior written consent of the Lender let its Vessel on charter or renew or extend any charter or other contract of employment of its Vessel (nor agree to do so).

12.4.3 **No change in management** Each Borrower shall, and shall procure that the Collateral Owner shall, procure that, without the prior written consent of the Lender, there shall be no termination of, alteration to any (in the Lender's opinion) material term, or waiver of any term of, the Management Agreement in respect of its Vessel and neither Borrower shall and shall procure that the Collateral Owner shall not without the prior written consent of the Lender permit the Managers to sub-contract or delegate the commercial or technical management of its Vessel to any third party.

12.4.4 **Registration of Vessel** Each Borrower undertakes and shall procure that the Collateral Owner undertakes to maintain the registration of its Vessel under the Marshall Islands flag for the duration of the Facility Period unless the Lender agrees otherwise in writing.

12.4.5 **Evidence of current COFR** Each Borrower will and shall procure that the Collateral Owner will, if and for so long as its Vessel trades in the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990), obtain and retain a valid Certificate of Financial Responsibility for its Vessel under that Act, will provide the Lender with evidence of that Certificate, and will comply strictly with the requirements of that Act.

12.4.6 **ISM Code compliance** Each Borrower will and shall procure that the Collateral Owner will:

(a) procure that its Vessel remains for the duration of the Facility Period subject to a SMS;

(b) maintain a valid and current SMC for its Vessel throughout the Facility Period and provide a copy to the Lender;

(c) procure that the ISM Company maintains a valid and current DOC throughout the Facility Period and provide a copy to the Lender; and

(d) immediately notify the Lender in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the SMC of its Vessel or of the DOC of the ISM Company.

12.4.7 **ISPS Code compliance** Each Borrower will and shall procure that the Collateral Owner will:

(a) for the duration of the Facility Period comply with the ISPS Code in relation to its Vessel and procure that its Vessel and the ISPS Company comply with the ISPS Code;

(b) maintain a valid and current ISSC for its Vessel throughout the Facility Period and provide a copy to the Lender; and

(c) immediately notify the Lender in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC of its Vessel.

12.4.8 **Annex VI compliance** Each Borrower will and shall procure that the Collateral Owner will:

(a) for the duration of the Facility Period comply with Annex VI in relation to its Vessel and procure that its Vessel's master and crew are familiar with, and that its Vessel complies with, Annex VI;

(b) maintain a valid and current IAPPC for its Vessel throughout the Facility Period and provide a copy to the Lender; and

(c) immediately notify the Lender in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the IAPPC of its Vessel.

12.4.9 **No bareboat charter** Neither Borrower shall, and shall procure that the Collateral Owner shall not, without the prior written consent of the Lender, let its Vessel on any bareboat or demise charter.

12.4.10 **Physical inspection** The Lender shall be entitled to physically inspect each Vessel, and the Borrowers shall bear the cost of such inspection not more than once every calendar year, provided that the Vessels are found to be in satisfactory condition, according to the reasonable opinion of the Lender. If the Vessels are not found to be in satisfactory condition, according to the reasonable opinion of the Lender, or there is an Event of Default which is continuing, then the Borrowers shall bear the cost of all inspections of the Vessels at any time.

12.4.11 **International laws** The Borrowers shall and shall procure that the Collateral Owner shall at all times comply with all national and international applicable laws and conventions relating to them or to their Vessels, including without limitation the International Convention for the Safety of Life at Sea 1974 (SOLAS) and the International Convention for the Prevention of Pollution from Ships 1973, as modified by the Protocol of 1978 relating thereto and as further amended (MARPOL), and shall procure that there are on board the Vessel valid certificates showing compliance therewith.

12.4.12 **Class** The Vessels shall be classed according to the rules of NK, to class notation NS (CSR, Bulk Carrier-Type A, BC-XII, GRAB 20, Performance Standard for Protective Coatings for Dedicated Seawater Ballast tanks in All Types of Ships and Double-side Skin Spaces of Bulk Carriers) (ESP) (IWS), MNS (M0) with a classification society acceptable to the Lender withoutany overdue recommendations and/or qualifications and/or requirements and the Borrowers shall not without the prior written consent of the Lender change the class of their Vessels.

12.4.13 **Trading** The Borrowers shall and shall procure that the Collateral Owner shall use their respective Vessels only for civil merchant trading, for the duration of the Facility Period and for as long as any part of the Indebtedness remains outstanding.

12.4.14 **No charter** Neither Borrower shall without the prior written consent of the Lender, such consent not to be unreasonably withheld, let its Vessel on any time charter, consecutive voyage charter or other contract of employment which (inclusive of any extension option) is capable of exceeding twelve months (12) nor employ its Vessel in any way which might impair the security created by the Finance Documents.

12.5 **Insurances**

The Borrowers covenant to ensure at their own expense throughout the Facility Period that:

12.5.1 the Borrower's Vessels remain insured against marine risks and war risks on an agreed value basis for an amount which is the greater from time to time of (a) their full market value and (b) an amount which equals one hundred and twenty per cent (120%) of the amount of the Loan then outstanding; and

12.5.2 the Borrower's Vessels remain entered in a protection and indemnity association which is a member of the International Group of Protection and Indemnity Association in both protection and indemnity classes, or remain otherwise insured against protection and indemnity risks and liabilities (including, without limitation, protection and indemnity war risks) at the highest limit afforded by such protection and indemnity association; and

12.5.3 the Borrower's Vessels remain insured against oil pollution caused by the Borrower's Vessels for such amounts as the Lender may from time to time approve unless that risk is covered to the satisfaction of the Lender by the Borrower's Vessels' protection and indemnity entry or insurance.

12.5.4 The Lender agrees that, if and for so long as a Borrower's Vessel may be laid up with the approval of the Lender, the relevant Borrower may at its own expense take out port risk insurance on that Borrower's Vessel in place of hull and machinery insurance.

12.5.5 The Borrowers undertake to place the Obligatory Insurances in such markets, in such currency, on such terms and conditions, and with such brokers, underwriters and associations as the Lender shall have previously approved in writing. The Borrowers shall not alter the terms of any of the Obligatory Insurances without the prior written consent of the Lender, and will supply the Lender from time to time on request with such information as the Lender may in its discretion require with regard to the Obligatory Insurances and the brokers, underwriters or associations through or with which the Obligatory Insurances are placed. The Borrowers shall reimburse the Lender on demand for all costs and expenses incurred by the Lender in obtaining from time to time a report on the adequacy of the Obligatory Insurances from an insurance adviser instructed by the Lender.

12.5.6 The Borrowers undertake duly and punctually to pay all premiums, calls and contributions, and all other sums at any time payable in connection with the Obligatory Insurances, and, at its own expense, to arrange and provide any guarantees from time to time required by any protection and indemnity or war risks association. From time to time at the Lender's request, the Borrowers will provide the Lender with evidence satisfactory to the Lender that such premiums, calls, contributions and other sums have been duly and punctually paid; that any such guarantees have been duly given; and that all declarations and notices required by the terms of any of the Obligatory Insurances to be made or given by or on behalf of the Borrowers to brokers, underwriters or associations have been duly and punctually made or given.

12.5.7 The Borrowers will comply in all respects with all terms and conditions of the Obligatory Insurances and will make all such declarations to brokers, underwriters and associations as may be required to enable the Borrower's Vessels to operate in accordance with the terms and conditions of the Obligatory Insurances. The Borrowers will not do, nor permit to be done, any act, nor make, nor permit to be made, any omission, as a result of which any of the Obligatory Insurances may become liable to be suspended, cancelled or avoided, or may become unenforceable, or as a result of which any sums payable under or in connection with any of the Obligatory Insurances may be reduced or become liable to be repaid or rescinded in whole or in part. In particular, but without limitation, the Borrowers will not permit the Borrower's Vessels to be employed other than in conformity with the Obligatory Insurances without first taking out additional insurance cover in respect of that employment in all respects to the satisfaction of the Lender, and the Borrowers will promptly notify the Lender of any new requirement imposed by any broker, underwriter or association in relation to any of the Obligatory Insurances.

12.5.8 The Borrowers will, no later than fourteen days (or, in the case of war risks, no later than seven days), before the expiry of any of the Obligatory Insurances renew them and shall immediately give the Lender such details of those renewals as the Lender may require.

12.5.9 The Lender shall be at liberty to take out Mortgagees Insurances in relation to the Borrower's Vessels for such amounts (but not more than 110% of the Loan) and on such terms and conditions as the Lender may from time to time decide, and the Borrowers shall from time to time on demand reimburse the Lender for all costs, premiums and expenses paid or incurred by the Borrowers in connection with any Mortgagees Insurances.

12.5.10 The Borrowers shall deliver to the Lender certified copies (and, if required by the Lender, the originals) of all policies, certificates of entry and other documents relating to the Insurances (including, without limitation, receipts for premiums, calls or contributions) and shall procure that letters of undertaking in such form as the Lender may approve shall be issued to the Lender by the brokers through which the Insurances are placed (or, in the

case of protection and indemnity or war risks associations, by their managers). If the Borrower's Vessels are at any time during the Facility Period insured under any form of fleet cover, the Borrowers shall procure that those letters of undertaking contain confirmation that the brokers, underwriters or association (as the case may be) will not set off claims relating to the Borrower's Vessels against premiums, calls or contributions in respect of any other vessel or other insurance, and that the insurance cover of the Borrower's Vessels will not be cancelled by reason of non-payment of premiums, calls or contributions relating to any other vessel or other insurance. Failing receipt of those confirmations, the Borrowers will instruct the brokers, underwriters or association concerned to issue a separate policy or certificate for the Borrower's Vessels in the sole name of the Borrowers or of the Borrowers' brokers as Lenders for the Borrowers.

12.5.11 The Borrowers shall promptly provide the Lender with full information regarding any casualty or other accident or damage to the Borrower's Vessels exceeding the Threshold Amount.

12.5.12 The Borrowers agree that, at any time after the occurrence and during the continuation of an Event of Default, the Lender shall be entitled to collect, sue for, recover and give a good discharge for all claims in respect of any of the Insurances; to pay collecting brokers the customary commission on all sums collected in respect of those claims; to compromise all such claims or refer them to arbitration or any other form of judicial or non-judicial determination; and otherwise to deal with such claims in such manner as the Lender shall in its discretion think fit.

12.5.13 Whether or not an Event of Default shall have occurred or be continuing, the proceeds of any claim under any of the Insurances in respect of a Total Loss shall be paid to the Lender and applied by the Lender in accordance with Clause 10.

12.5.14 The Borrowers agree that, at any time after the occurrence and during the continuation of an Event of Default, the Lender shall be entitled to require payment to itself, if the Borrowers shall fail to reach agreement with any of the brokers, underwriters or associations with regard to any claim in respect of any of the Insurances (other than in respect of a Total Loss), or the

restoration of the Borrower's Vessels, according to good commercial maintenance practice, or for payment to third parties, within such time as the Lender may stipulate. In addition, in the event of any dispute arising between the Borrowers and any broker, underwriter or association with respect to any obligation to make any payment to the Borrowers or to the Lender under or in connection with any of the Insurances, or with respect to the amount of any such payment, the Lender shall be entitled to settle that dispute directly with the broker, underwriter or association concerned. Any such settlement shall be binding on the Borrowers.

12.5.15 The Lender agrees that any amounts which may become due under any protection and indemnity entry or insurance shall be paid to the Borrowers to reimburse the Borrowers for, and in discharge of, the loss, damage or expense in respect of which they shall have become due, unless, at the time the amount in question becomes due, an Event of Default shall have occurred and be continuing, in which event the Lender shall be entitled to receive the amounts in question and to apply them either in reduction of the Indebtedness or, at the option of the Lender, to the discharge of the liability in respect of which they were paid.

12.5.16 The Borrowers shall not settle, compromise or abandon any claim under or in connection with any of the Insurances (other than a claim of less than the Threshold Amount arising other than from a Total Loss) without the prior written consent of the Lender.

12.5.17 If the Borrowers fail to effect or keep in force the Obligatory Insurances, the Lender may (but shall not be obliged to) effect and/or keep in force such insurances on the Borrower's Vessels and such entries in protection and indemnity or war risks associations as the Lender in its discretion considers desirable, and the Lender may (but shall not be obliged to) pay any unpaid premiums, calls or contributions. The Borrowers will reimburse the Lender from time to time on demand for all such premiums, calls or contributions paid by the Lender, together with interest at the default rate from the date of payment by the Lender until the date of reimbursement.

12.5.18 The Borrowers shall comply strictly with the requirements of any legislation relating to pollution or protection of the environment which may from time to time be applicable to the Borrower's Vessels in any jurisdiction in which the Borrower's Vessels shall trade and in particular (if the Borrower's Vessels is to trade in the United States of America and Exclusive Economic Zone (as defined in the Act)) the Borrowers shall comply strictly with the requirements of the United States Oil Pollution Act 1990 (the "**Act**"). Before any such trade is commenced and during the entire period during which such trade is carried on, the Borrowers shall:

(a) pay any additional premiums required to maintain protection and indemnity cover for oil pollution up to the limit available to the Borrowers for the Borrower's Vessels in the market; and

(b) make all such quarterly or other voyage declarations as may from time to time be required by the Borrower's Vessels' protection and indemnity association in order to maintain such cover; and

(c) submit the Borrower's Vessels to such additional periodic, classification, structural or other surveys which may be required by the Borrower's Vessels' protection and indemnity insurers to maintain cover for such trade and at the Lender's request deliver to the Lender copies of reports made in respect of such surveys; and

(d) implement any recommendations contained in the reports issued following the surveys referred to in Clause 12.5.18(c) within the relevant time limits, and provide evidence satisfactory to the Lender that the protection and indemnity insurers are satisfied that this has been done; and

(e) in addition to the foregoing (if such trade is in the United States of America and Exclusive Economic Zone):

(aa) obtain and retain a certificate of financial responsibility under the Act in form and substance satisfactory to the United States Coast Guard; and

(bb) procure that the protection and indemnity insurances do not contain a US Trading Exclusion Clause or any other analogous provision; and

(cc) comply strictly with any operational or structural regulations issued from time to time by any relevant authorities under the Act so that at all times the Borrower's Vessels fall within the provisions which limit strict liability under the Act for oil pollution.

## 13 Events of Default

13.1 **Events of Default** Each of the events or circumstances set out in this Clause 13.1 is an Event of Default.

13.1.1 **Non-payment** The Borrowers do not pay on the due date any amount payable by them 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 manifest administrative or technical error; and

(b) payment is made within two (2) Business Days of its due date.

13.1.2 **Other obligations** A Security Party or any other person (except the Lender) does not comply with any (in the Lender's opinion) material provision of any of the Relevant Documents to which that Security Party or person is a party (other than as referred to in Clause 13.1.1 (*Non-payment*)).

No Event of Default under this Clause 13.1.2 will occur if the failure to comply is capable of remedy and does not relate either to the Insurances or to compliance with Clause 10.12 (*Additional security*) and is remedied within seven (7) Business Days of the Lender giving notice to the Borrowers or the Borrowers becoming aware of the failure to comply.

No Event of Default under this Clause 13.1.2 will occur if the failure to comply is in relation to a Charter and such failure to comply is not material (in the Lender's sole opinion) and is outside the control of the Borrower.

13.1.3 **Misrepresentation** Any representation, warranty or statement made or deemed to be repeated by a Security Party in any Finance Document or any other document delivered by or on behalf of a Security Party under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be repeated.

13.1.4 **Cross default** Any Financial Indebtedness of a Borrower in excess of an aggregate amount of $500,000 or any Financial Indebtedness of any other Security Party, or the Group in excess of an aggregate amount of $10,000,000:

(a) is not paid when due or within any originally applicable grace period; or

(b) is declared to be, or otherwise becomes, due and payable before its specified maturity as a result of an event of default (however described); or

(c) is capable of being declared by a creditor to be due and payable before its specified maturity as a result of such an event.

For the avoidance of doubt, for the purpose of this Clause 13.1.4 references to Financial Indebtedness shall exclude the Indebtedness.

13.1.5 **Insolvency**

(a) A Security Party or a member of the Group is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, 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 Financial Indebtedness.

(b) The value of the assets of a Security Party or the Group on a consolidated basis is less than its liabilities (taking into account contingent and prospective liabilities).

(c) A moratorium is declared in respect of any Financial Indebtedness of a Security Party or a member of the Group.

13.1.6 **Insolvency proceedings** Any corporate action, legal proceedings or other procedure or step is taken for:

(a) the suspension of payments, a moratorium of any Financial Indebtedness, winding-up, dissolution, administration, bankruptcy or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of a Security Party or a member of the Group;

(b) a composition, compromise, assignment or arrangement with any creditor of a Security Party or a member of the Group;

(c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, or trustee or other similar officer in respect of any Security Party or a member of the Group or any of its (in the Lender's opinion) material assets; or

(d) enforcement of any Encumbrance over any (in the Lender's opinion) material assets of a Security Party or a member of the Group,

or any analogous procedure or step is taken in any jurisdiction.

13.1.7 **Creditors' process** Any expropriation, attachment, sequestration, distress or execution affects any (in the Lender's opinion) material asset or assets of a Security Party.

13.1.8 **Change in ownership or control of a Borrower** The Guarantor ceases to be the sole shareholder of all the issued shares in the Borrowers or the Collateral Owner.

13.1.9 **Repudiation etc** A Security Party or any other person (except the Lender) repudiates any of the Relevant Documents to which that Security Party or person is a party or evidences an intention to do so.

No Event of Default under this Clause 13.1.9 will occur if the repudiation is in relation to a Charter and such repudiation is outside the control of the relevant Borrower and if capable of remedy is remedied within seven (7)

Business Days of the Lender giving notice to the Borrowers or the Borrowers becoming aware of such repudiation.

13.1.10 **Impossibility or illegality** Any event occurs which would, or would with the passage of time, render performance of any of the Relevant Documents by a Security Party or any other party to any such document impossible, unlawful or unenforceable by the Lender or a Security Party.

No Event of Default under this Clause 13.1.10 will occur if the impossibility or illegality is in relation to the Charter and/or the Management Agreement and such impossibility or illegality is outside the control of the Borrowers and if capable of remedy is remedied within seven (7) Business Days of the Lender giving notice to the Borrowers or the Borrowers becoming aware of such impossibility or illegality.

13.1.11 **Conditions subsequent** Any of the conditions referred to in Clause 3.3 (*Conditions subsequent*) is not satisfied within the time reasonably required by the Lender.

13.1.12 **Revocation or modification of authorisation** Any consent, licence, approval, authorisation, filing, registration or other requirement 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 a Security Party or any other person (except the Lender) to comply with any of its obligations under any of the Relevant Documents is not obtained, is revoked, suspended, withdrawn or withheld, or is modified in a manner which the Lender considers is, or may be, prejudicial to the interests of the Lender, or ceases to remain in full force and effect.

No Event of Default under this Clause 13.1.12 will occur if the modification of authorisation is in relation to the Management Agreement and such impossibility or illegality is outside the control of the Borrowers and if capable of remedy is remedied within seven (7) Business Days of the Lender giving notice to the Borrowers or the Borrowers becoming aware of such modification of authorisation.

13.1.13 **Curtailment of business** A Security Party ceases, or threatens to cease, to carry on all or a substantial part of its business or, as a result of intervention by or under the authority of any government, the business of a Security Party is wholly or partially curtailed or suspended, or all or a substantial part of the assets or undertaking of a Security Party is seized, nationalised, expropriated or compulsorily acquired.

13.1.14 **Reduction of capital** A Security Party reduces its authorised or issued or subscribed capital.

13.1.15 **Loss of Vessel** A Vessel suffers a Total Loss or is otherwise destroyed or abandoned, confiscated, forfeited or condemned as a prize, or a similar event occurs in relation to any other vessel which may from time to time be mortgaged to the Lender 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 13.1.15 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

(b) no insurer has refused to meet or has disputed the claim for Total Loss and it is not apparent to the Lender 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 Lender within one hundred and twenty (120) days of the occurrence of the casualty giving rise to the Total Loss in question or such longer period as the Lender may in its discretion agree.

13.1.16 **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.

13.1.17 **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 Lender in its discretion considers that, as a result, the security conferred by any of the Security Documents is materially prejudiced.

13.1.18 **Notice of termination** The Guarantor or the Collateral Owner give notice to the Lender to determine their obligations under the Guarantee or the Collateral Guarantee.

13.1.19 **Material adverse change** Any event or series of events occurs which, in the reasonable opinion of the Lender, is likely to have a materially adverse effect on the business, assets, financial condition or credit worthiness of a Security Party or a member of the Group.

13.1.20 **Invalidity** At any time, any (in the Lender's opinion) material provision of a Relevant Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction.

13.1.21 **Cross-Default with Bikini Loan Agreement** An Event of Default (as defined in the Bikini Loan Agreement) has occurred under the Bikini Loan Agreement.

13.1.22 **Shareholding** Without the Lender's consent, any one person (or associated (in the sole opinion of the Lender) persons) - other than members of the Palios and Margaronis family and one or more underwriters temporarily holding shares of the Guarantor pursuant to an offering of such shares - acquires more than 20% of the Guarantor's issued share capital at any one time.

13.2 **Acceleration** If an Event of Default is continuing the Lender may by notice to the Borrowers cancel any part of the Maximum Loan Amount not then advanced and:

13.2.1 declare that the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents are immediately due and payable, whereupon they shall become immediately due and payable; and/or

13.2.2 declare that the Loan is payable on demand, whereupon it shall immediately become payable on demand by the Lender.

## 14 Assignment and Sub-Participation

14.1 **Lender's rights** The Lender may assign any of its rights under this Agreement or transfer by novation, without the prior consent of the Borrowers, any of its rights and obligations under this Agreement to any branch or consolidated subsidiary of Deutsche Bank Aktiengesellschaft or to any other bank or financial institution or (for the purpose of a securitisation of the Lender's rights or obligations under the Finance Documents or a similar transaction of broadly equivalent economic effect) to any special purpose vehicle, and may grant sub-participations in all or any part of the Loan.

14.2 **Borrowers' co-operation** The Borrowers will co-operate fully with the Lender in connection with any assignment, transfer or sub-participation; will execute and procure the execution of such documents as the Lender may require in that connection; and irrevocably authorise the Lender to disclose to any proposed assignee, transferee or sub-participant (whether before or after any assignment, transfer or sub-participation and whether or not any assignment, transfer or sub-participation shall take place) all information relating to the Security Parties, the Loan, the Relevant Documents and the Vessels which the Lender may in its discretion consider necessary or desirable.

14.3 **Rights of assignee or transferee** Any assignee or transferee of the Lender shall (unless limited by the express terms of the assignment or novation) take the full benefit of every provision of the Finance Documents benefitting the Lender.

14.4 **No assignment or transfer by the Borrowers** Neither Borrower may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

14.5 **Securitisation** The Lender may disclose the size and term of the Loan and the name of each of the Security Parties to any investor or potential investor in a securitisation (or similar transaction of broadly equivalent economic effect) of the Lender's rights or obligations under the Finance Documents.

## 15 Set-Off

15.1 **Set-off** The Lender may set off any matured obligation due from the Borrowers under any Finance Document against any matured obligation owed by the Lender to any Borrower, regardless of the place of payment, booking branch or currency of

either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

## 16 Payments

16.1 **Payments** Each amount payable by a Borrower under a Finance Document shall be paid to such account at such bank as the Lender may from time to time direct to the Borrowers in the Currency of Account and in such funds as are customary at the time for settlement of transactions in the relevant currency in the place of payment. Payment shall be deemed to have been received by the Lender on the date on which the Lender receives authenticated advice of receipt, unless that advice is received by the Lender on a day other than a Business Day or at a time of day (whether on a Business Day or not) when the Lender in its discretion considers that it is impossible or impracticable for the Lender to utilise the amount received for value that same day, in which event the payment in question shall be deemed to have been received by the Lender on the Business Day next following the date of receipt of advice by the Lender.

16.2 **No deductions or withholdings** Each payment (whether of principal or interest or otherwise) to be made by a Borrower under a Finance Document shall, subject only to Clause 16.3 (*Grossing-up*), be made free and clear of and without deduction for or on account of any Taxes or other deductions, withholdings, restrictions, conditions or counterclaims of any nature.

16.3 **Grossing-up** If at any time any law requires (or is interpreted to require) a Borrower to make any deduction or withholding from any payment, or to change the rate or manner in which any required deduction or withholding is made, under a Finance Document, the Borrowers will promptly notify the Lender and, simultaneously with that payment, will pay to the Lender whatever additional amount (after taking into account any additional Taxes on, or deductions or withholdings from, or restrictions or conditions on, that additional amount) is necessary to ensure that, after the deduction or withholding, the Lender receives a net sum equal to the sum which the Lender would have received had no deduction or withholding been made.

16.4 **Evidence of deductions** If at any time a Borrower is required by law to make any deduction or withholding from any payment to be made by it under a Finance

Document, that Borrower will pay the amount required to be deducted or withheld to the relevant authority within the time allowed under the applicable law and will, no later than thirty (30) days after making that payment, deliver to the Lender an original receipt issued by the relevant authority, or other evidence acceptable to the Lender, evidencing the payment to that authority of all amounts required to be deducted or withheld.

16.5 **Adjustment of due dates** If any payment or transfer of funds to be made under a Finance Document, other than a payment of interest on the Loan, shall be due on a day which is not a Business Day, that payment shall be made on the next succeeding Business Day (unless the next succeeding Business Day falls in the next calendar month in which event the payment shall be made on the next preceding Business Day). Any such variation of time shall be taken into account in computing any interest in respect of that payment.

16.6 **Control account** The Lender 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 16.6 and those entries will, in the absence of manifest error, be conclusive and binding.

## 17 Notices

17.1 **Communications in writing** Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or letter.

17.2 **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 to this Agreement for any communication or document to be made or delivered under or in connection with this Agreement are:

17.2.1 in the case of the Borrowers, at c/o Diana Shipping Services S.A., Pendelis 16, 175 64 Palaio Faliro, Athens, Greece (fax no: +30 210 9470101) marked for the attention of Mr Andreas Michalopoulos; and

17.2.2 in the case of the Lender, Adolphsplatz 7, 20457 Hamburg, Germany (fax no: + 49 (40) 3701 4550) marked for the attention of Dr. Dirk Niedereichholz;

or any substitute address, fax number, department or officer as either party may notify to the other by not less than five (5) Business Days' notice.

17.3 **Delivery** Any communication or document made or delivered by one party to this Agreement to the other under or in connection with this Agreement will only be effective:

17.3.1 if by way of fax, when received in legible form; or

17.3.2 if by way of letter, when it has been left at the relevant address or five (5) 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 17.2 (*Addresses*), if addressed to that department or officer.

Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender.

Any communication or document which becomes effective, in accordance with this Clause 17.3, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

17.4 **English language** Any notice given under or in connection with this Agreement must be in English. All other documents provided under or in connection with this Agreement must be:

17.4.1 in English; or

17.4.2 if not in English, and if so required by the Lender, 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.

**18 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.

**19 Remedies and Waivers**

No failure to exercise, nor any delay in exercising, on the part of the Lender, 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 of the Finance Documents. No election to affirm any of the Finance Documents on the part of the Lender 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 this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

**20 Joint and several liability**

20.1 **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:

20.1.1 any forbearance (whether as to payment or otherwise) or any time or other indulgence granted to any other Borrower or any other Security Party under or in connection with any Finance Document;

20.1.2 any amendment, variation, novation or replacement of any other Finance Document;

20.1.3 any failure of any Finance Document to be legal valid binding and enforceable in relation to any other Borrower or any other Security Party for any reason;

20.1.4 the winding-up or dissolution of any other Borrower or any other Security Party;

20.1.5 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 Security Party; or

20.1.6 any other act, omission, thing or circumstance which would or might, but for this provision, operate to discharge, impair or otherwise affect such liability.

20.2 **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 the Lender 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 Security Party:

20.2.1 exercise any rights of subrogation in relation to any rights, security or moneys held or received or receivable by the Lender or any other person; or

20.2.2 exercise any right of contribution from any other Borrower or any other Security Party under any Finance Document; or

20.2.3 exercise any right of set-off or counterclaim against any other Borrower or any other Security Party; or

20.2.4 receive, claim or have the benefit of any payment, distribution, security or indemnity from any other Borrower or any other Security Party; or

20.2.5 unless so directed by the Lender (when the relevant Borrower will prove in accordance with such directions), claim as a creditor of any other Borrower or any other Security Party in competition with the Lender

and each Borrower shall hold in trust for the Lender and forthwith pay or transfer (as appropriate) to the Lender 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.

## 21 Miscellaneous

21.1 **No oral variations** No variation or amendment of a Finance Document shall be valid unless in writing and signed on behalf of the Lender.

21.2 **Further assurance** If any provision of a Finance Document shall be invalid or unenforceable in whole or in part by reason of any present or future law or any decision of any court, or if the documents at any time held by or on behalf of the Lender are considered by the Lender for any reason insufficient to carry out the terms of this Agreement, then from time to time the Borrowers will promptly, on demand by the Lender, execute or procure the execution of such further documents as in the opinion of the Lender are necessary to provide adequate security for the repayment of the Indebtedness.

21.3 **Rescission of payments etc.** Any discharge, release or reassignment by the Lender of any of the security constituted by, or any of the obligations of a Security Party contained in, a Finance Document shall be (and be deemed always to have been) void if any act (including, without limitation, any payment) as a result of which such discharge, release or reassignment was given or made is subsequently wholly or partially rescinded or avoided by operation of any law.

21.4 **Certificates** Any certificate or statement signed by an authorised signatory of the Lender purporting to show the amount of the Indebtedness (or any part of the Indebtedness) or any other amount referred to in any Finance Document shall, save for manifest error or on any question of law, be conclusive evidence as against the Borrowers of that amount.

21.5 **Counterparts** This Agreement may be executed in any number of counterparts each of which shall be original but which shall together constitute the same instrument.

21.6 **Contracts (Rights of Third Parties) Act 1999** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

21.7 **Disclosure** Each Borrower irrevocably authorises, and shall procure that each of the other Security Parties authorises, the Lender to disclose from time to time any information relating to the Security Parties, the Loan, the Earnings Accounts, the Relevant Documents and the Vessels to (a) any private, public or internationally

recognised authorities, (b) the Lender's head office, branches, affiliates and professional advisors, (c) any other parties to the Finance Documents, (d) rating agencies or their professional advisors, (e) any person with whom the Lender proposes entering into, or has entered into, contractual relations in connection with the Loan.

**22 Law and Jurisdiction**

22.1 **Governing law** This Agreement and any non-contractual obligations arising from or in connection with it shall in all respects be governed by and interpreted in accordance with English law.

22.2 J**urisdiction** For the exclusive benefit of the Lender, the parties to this Agreement irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any dispute (a) arising from or in connection with this Agreement or (b) relating to any non-contractual obligations arising from or in connection with this Agreement and that any proceedings may be brought in those courts.

22.3 **Alternative jurisdictions** Nothing contained in this Clause 22 shall limit the right of the Lender to commence any proceedings against the Borrowers in any other court of competent jurisdiction nor shall the commencement of any proceedings against the Borrowers in one or more jurisdictions preclude the commencement of any proceedings in any other jurisdiction, whether concurrently or not.

22.4 **Waiver of objections** Each Borrower irrevocably waives any objection which it may now or in the future have to the laying of the venue of any proceedings in any court referred to in this Clause 22, and any claim that those proceedings have been brought in an inconvenient or inappropriate forum, and irrevocably agrees that a judgment in any proceedings commenced in any such court shall be conclusive and binding on it and may be enforced in the courts of any other jurisdiction.

22.5 **Service of process** Without prejudice to any other mode of service allowed under any relevant law, each Borrower:

22.5.1 irrevocably appoints Nicolaou & Co., Chartered Accountants, 25 Heath Drive, Potters Bar, Herts, EN6 lEN, England (tel +44 17 0765 2193, Fax +44 17 0766 4340) (for the attention of: Mr. Antonis Nicolaou) as its agent

for service of process in relation to any proceedings before the English courts in connection with this Agreement; and

22.5.2 agrees that failure by a process agent to notify any Borrower of the process will not invalidate the proceedings concerned.

**SCHEDULE 1: CONDITIONS PRECEDENT AND SUBSEQUENT**

**PART 1: CONDITIONS PRECEDENT**

**1 Security Parties**

(a) **Constitutional Documents** Copies of the constitutional documents of each Security Party together with such other evidence as the Lender may reasonably require that each Security Party 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 Security Party (if such a certificate can be obtained).

(c) **Board resolutions** A copy of a resolution of the board of directors of each Security Party:

(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 despatched under those documents) on its behalf.

(d) **Specimen signatures or copy passports** A specimen of the signature or copy of the passport of each person authorised by the resolutions referred to in paragraph (c) above.

(e) **Shareholder resolutions** A copy of a resolution signed by all the holders of the issued shares in each Security Party (other than the Guarantor), approving the terms of, and the transactions contemplated by, the Relevant Documents (other than the Charters) to which that Security Party is a party.

(f) **Officer's certificates** A certificate of a duly authorised officer of each Security Party certifying that each copy document relating to it specified in this Part I of Schedule 1 is correct, complete and in full force and effect and setting out the names of the directors, officers and shareholders of that Security Party and the

proportion of shares held by each shareholder and in respect of the Guarantor the names of the directors and offices.

(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 Security Party are duly registered in the companies registry or other registry in the country of incorporation of that Security Party.

(h) **Powers of attorney** The notarially attested and legalised power of attorney of each Security Party under which any documents are to be executed or transactions undertaken by that Security Party.

**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 Drawdown Date including, without limitation, any Charters;

(ii) the Management Agreements;

(iii) evidence of the Vessels' current Certificate of Financial Responsibility issued pursuant to the United States Oil Pollution Act 1990 (if applicable);

in each case together with all addenda, amendments or supplements.

(b) **Evidence of Borrower's title and Collateral Owner's title** Certificate of ownership and encumbrance (or equivalent) issued by the Registrar of Ships (or equivalent official) of the Vessels' current flag confirming that on the Drawdown Date (i) each Vessel is registered under the Marshall Islands flag in the ownership of the relevant Borrower and the Collateral Owner (as applicable) and (ii) the Mortgage is registered against each Borrower's Vessel with first priority or (as applicable) and the Collateral Mortgage is registered against the Collateral Owner with second priority.

(c) **Evidence of insurance** Evidence that the Vessels are 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 Lender) the written approval of the Insurances by an insurance adviser appointed by the Lender at the cost of the Borrowers.

(d) **Confirmation of class** A Certificate of Confirmation of Class for hull and machinery confirming that the Vessels are classed with the highest class applicable to vessels of her type with Lloyd's Register or such other classification society as may be acceptable to the Lender free of recommendations affecting class.

(e) **Security Documents** The Security 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.

(f) **Mandates** Such duly signed forms of mandate, and/or other evidence of the opening of the Earnings Account, as the Lender may require.

(g) **No disputes** The written confirmation of the Borrower that there is no dispute under any of the Relevant Documents as between the parties to any such document.

(h) **Other Relevant Documents** Copies of each of the Relevant Documents not otherwise comprised in the documents listed in this Part I of Schedule 1.

**3 Legal opinions**

(a) If a Security Party is incorporated in a jurisdiction other than England and Wales or if any Finance Document is governed by the laws of a jurisdiction other than England and Wales, a legal opinion of the legal advisers to the Lender in each relevant jurisdiction, substantially in the form or forms provided to the Lender prior to signing this Agreement or confirmation satisfactory to the Lender that such an opinion will be given.

**4 Other documents and evidence**

(a) **Drawdown Notice** A duly completed Drawdown Notice.

(b) **Process agent** Evidence that any process agent referred to in Clause 22.5 (*Service of process*) and any process agent appointed under any other Finance Document has accepted its appointment.

(c) **Other authorisations** A copy of any other consent, licence, approval, authorisation or other document, opinion or assurance which the Lender 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 of the Relevant Documents or for the validity and enforceability of any of the Relevant Documents.

(d) **Financial statements** Copies of the Original Financial Statements of the Guarantor.

(e) **Fees** Evidence that the fees, costs and expenses then due from the Borrowers under Clause 8 (*Indemnities*) and Clause 9 (*Fees*) have been paid or will be paid by the Drawdown Date.

(f) **"Know your customer" documents** Such documentation and other evidence as is reasonably requested by the Lender in order for the Lender to comply with all necessary "know your customer" or similar identification procedures in relation to the transactions contemplated in the Finance Documents.

**Part II: 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 flag stated in Recital (A) confirming that (a) the Vessels are 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 Lender.

3 **Acknowledgements of notices** Acknowledgements of all notices of assignment and/or charge given pursuant to any Security Documents received by the Lender pursuant to Part I of this Schedule 1.

4 **Legal opinions** Such of the legal opinions specified in Part I of this Schedule 1 as have not already been provided to the Lender.

*5* **Master's receipt** The master's receipt for the Mortgage.

**SCHEDULE 2: Calculation of Mandatory Cost**

1. The Mandatory Cost is an addition to the interest rate to compensate the Lender for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2 On the first day of each Interest Period (or as soon as possible thereafter) the Lender shall calculate, as a percentage rate, a rate (the "**Additional Cost Rate**") in accordance with the paragraphs set out below.

3 The Additional Cost Rate for the Lender if lending from an office in the euro-zone will be the percentage notified by the Lender to the Borrowers to be its reasonable determination of the cost (expressed as a percentage of the Loan) of complying with the minimum reserve requirements of the European Central Bank as a result of making the Loan from that office.

4 The Additional Cost Rate for the Lender if lending from an office in the United Kingdom will be calculated by the Lender as follows:

(a) where the Loan is denominated in sterling:

$$\frac{BY + (Y - Z) + F \times 0.01}{100 - (B + S)} \text{ per cent per annum}$$

(b) where the Loan is denominated in any currency other than sterling:

$$\frac{F \times 0.01}{300} \text{ per cent per annum}$$

where:

B is the percentage of eligible liabilities (assuming these to be in excess of any stated minimum) which the Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements;

Y is the percentage rate of interest (excluding the Margin and the Mandatory Cost and, if the Loan is an overdue amount, the additional rate of interest specified in Clause 7.8 (*Default interest*)) payable for the relevant Interest Period on the Loan;

S is the percentage (if any) of eligible liabilities which the Lender is required from time to time to maintain as interest bearing special deposits with the Bank of England;

Z is the interest rate per annum payable by the Bank of England to the Lender on special deposits; and

F is the charge payable by the Lender to the Financial Services Authority under paragraph 2.02 or 2.03 (as appropriate) of the Fees Regulations or the equivalent provisions in any replacement regulations (with, for this purpose, the figure for the minimum amount in paragraph 2.02b or such equivalent provision deemed to be zero), expressed in pounds per £1 million of the fee base of the Lender.

5 For the purpose of this Schedule:

(a) "**eligible liabilities**" and "**special deposits**" have the meanings given to them at the time of application of the formula by the Bank of England;

(b) "**fee base**" has the meaning given to it in the Fees Regulations;

(c) "**Fees Regulations**" means the regulations governing periodic fees contained in the Financial Services Authority Fees Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits.

6 In the application of the formula B, Y, S and Z are included in the formula as figures and not as percentages, e.g. if B = 0.5% and Y= 15%, BY is calculated as 0.5. x 15. Each rate calculated in accordance with the formula is, if necessary, rounded upward to four decimal places.

7 If a change in circumstances has rendered, or will render, the formula inappropriate, the Lender shall notify the Borrowers of the manner in which the Mandatory Cost will subsequently be calculated. The manner of calculation so notified by the Lender shall, in the absence of manifest error, be binding on the Borrowers.

**SCHEDULE 3: Form of Drawdown Notice**

To: **DEUTSCHE BANK AKTIENGESELLSCHAFT FILIALE DEUTSCHLANDGESCHÄFT**

From: **TUVALU SHIPPING COMPANY INC.**
**JABAT SHIPPING COMPANY INC.**

[Date]

Dear Sirs

**Drawdown Notice**

We refer to the Loan Agreement dated 2013 made between ourselves and yourselves (the "**Agreement**").

Words and phrases defined in the Agreement have the same meaning when used in this Drawdown Notice.

Pursuant to Clause 4 of the Agreement, we irrevocably request that you advance the Loan in the sum of [ ] to us on 20 , which is a Business Day, by paying the amount of the Loan in accordance with our separate instructions.

We warrant that the representations and warranties contained in Clause 11.1 of the Agreement are true and correct at the date of this Drawdown Notice and will be true and correct on 20 , that no Default has occurred and is continuing, and that no Default will result from the advance of the Loan.

[We select the period of [ ] months as the first Interest Period.]

Yours faithfully

For and on behalf of

**TUVALU SHIPPING COMPANY INC.**

**JABAT SHIPPING COMPANY INC.**

**SCHEDULE 4: Form of Compliance Certificate**

To: **DEUTSCHE BANK AKTIENGESELLSCHAFT FILIALE DEUTSCHLANDGESCHÄFT**

From: **DIANA SHIPPING INC.**

Dated:

Dear Sirs

**Tuvalu Shipping Company Inc. and Jabat Shipping Company Inc.- [ ] Loan Agreement dated [ ] (the "Agreement")**

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.

We confirm that: [Insert details of covenants to be certified]

[We confirm that no Default is continuing.]*

Signed:

Director
of
**Diana Shipping Inc.**

Director
of
**Diana Shipping Inc.**

* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.]

IN WITNESS of which the parties to this Agreement have executed this Agreement the day and year first before written.

**SIGNED** by Pamagiotis Spathis )
as duly authorized attorney-in-fact ) /s/ Pamagiotis Spathis
for and on behalf of )
**TUVALU SHIPPING COMPANY INC.** )
in the presence of )

Witness: /s/ Nigel Bowen-Morris

Name: Nigel Bowen-Morris
Address:
STEPHENSON HARDWOOD LLP
ARTISON BUILDING
2 FILELLINON STR., & AKTI MIAOULI
PIRAEUS 185 36
VAT. NO. 9 9 8 7 1 1 1 5 6
TEL. 210 42 95 160

**SIGNED** by Margarita Veniou )
as duly authorized attorney-in-fact ) /s/ Margarita Veniou
for and on behalf of )
**JABAT SHIPPING COMPANY INC.** )
in the presence of )

Witness: /s/ Nigel Bowen-Morris

Name: Nigel Bowen-Morris
Address:
STEPHENSON HARDWOOD LLP
ARTISON BUILDING
2 FILELLINON STR., & AKTI MIAOULI
PIRAEUS 185 36
VAT. NO. 9 9 8 7 1 1 1 5 6
TEL. 210 42 95 160

**SIGNED** by Pinelopi Karamadouki )
as duly authorized attorney-in-fact ) /s/ Pinelopi Karamadouki
for and on behalf of )
**DEUTSCHE BANK** )
**AKTIENGESELLSCHAFT FILIALE** )
**DEUTSCHLANDGESCHÄFT** )
in the presence of )

Witness: /s/ Nigel Bowen-Morris

Name: Nigel Bowen-Morris
Address:
STEPHENSON HARDWOOD LLP
ARTISON BUILDING
2 FILELLINON STR., & AKTI MIAOULI
PIRAEUS 185 36
VAT. NO. 9 9 8 7 1 1 1 5 6
TEL. 210 42 95 160

**Exhibit 4.18**

**DATED 24 MAY 2013**

**ERIKUB SHIPPING COMPANY INC.**
**WOTHO SHIPPING COMPANY INC.**
**(as Borrowers)**

**- and –**
**DNB BANK ASA**
**THE EXPORT-IMPORT BANK OF CHINA**
**(as Lenders)**

**- and –**
**DNB BANK ASA**
**THE EXPORT-IMPORT BANK OF CHINA**
**(as Arrangers)**

**- and -**
**DNB BANK ASA**
**(as Agent)**

**- and —**
**DNB BANK ASA**
**(as Swap Provider)**

**- and -**
**DNB BANK ASA**
**(as Security Agent)**

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# US$30,000,000 SECURED LOAN AGREEMENT

**Hull nos. H2528 & H2529**

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[LOGO]
STEPHENSON HARWOOD

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**CONTENTS**

**LOAN AGREEMENT**

**Dated: 24 MAY 2013**

**BETWEEN:**

**(1)** **ERIKUB SHIPPING COMPANY INC. ("Erikub") and WOTHO SHIPPING COMPANY INC. ("Wotho"),** each a company incorporated under the laws of the Republic of the Marshall Islands whose registered address is 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) the banks listed in Schedule 1, Part I *(The Lenders and the Commitments),* each acting as lender through its office at the address indicated against its name in Schedule 1, Part I (together the "**Lenders**" and each a "**Lender**"**);** and

(3) the banks listed in Schedule 1, Part **II** *(The Arrangers),* each acting as arranger through its office at the address indicated against its name in Schedule 1, Part II (together the "**Arrangers**" and each an "**Arranger**"**);** and

(4) **DNB BANK ASA,** acting as bookrunner and agent through its office at 20 St. Dunstan's Hill, London EC3R 8HY, England (in that capacity the "**Agent**"**);** and

(5) **DNB BANK ASA,** acting as swap provider through its office at 20 St. Dunstan's Hill, London EC3R 8HY, England (in that capacity the "**Swap Provider**"**);** and

(6) **DNB BANK ASA,** acting as security agent through its office at 20 St. Dunstan's Hill, London EC3R 8HY, England (in that capacity the "**Security Agent**"**).**

**WHEREAS:**

(A) Each Borrower has agreed to purchase the relevant Vessel from the Builder on the terms of the relevant Building Contract and intends to register that Vessel under an Approved Flag.

(B) Each of the Lenders has agreed to advance to the Borrowers on a joint and several basis its Commitment (aggregating, with all the other Commitments) up to the Maximum Loan Amount in two (2) Tranches to assist the Borrowers to finance part of the acquisition cost of the Vessels.

**IT IS AGREED** as follows:

**1 Definitions and Interpretation**

1.1 In this Agreement:

"**Administration**" has the meaning given to it in paragraph 1.1.3 of the ISM Code.

"**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).

"**Approved Brokers**" means together, H. Clarkson and Company Ltd of London, England, Arrow Research Ltd. of London, England, Astrup Fearnley A/S of Oslo, Norway, R.S. Platou Shipbrokers of Oslo, Norway, Braemar Seascope of London, England, Galbraiths Limited of London, England, Simpson Spence & Young of London, England and any other independent firm of shipbrokers nominated by the Borrowers and approved by the Agent and "**Approved Broker**" means any one of them.

"**Approved Flag**" means, in respect of each Vessel, the flag of the Hellenic Republic or any other flag acceptable to the Agent acting on the instructions of the Majority Lenders.

"**Assignments**" means the first priority deeds of assignment from the Borrowers referred to in Clause 10.1.2 *(Security Documents).*

"**Availability Termination Date**" means (a) in respect of the Erikub Vessel, the date falling on the earlier of (i) the relevant Delivery Date and (ii) 31 January 2014 and (b) in respect of the Wotho Vessel, the date falling on the earlier of (i) the relevant Delivery Date and (ii) 31 March 2014, or in each case, such later date as all the Lenders may in their discretion agree.

"**Break Costs**" means all sums payable by the Borrowers from time to time under Clause 8.3 *(Break Costs).*

"**Builder**" means (a) China Shipbuilding Trading Company Limited, a company incorporated under the laws of the People's Republic of China with its registered office at 56(Yi) Zhongguancun Nan Da Jie, Beijing 100044, the People's Republic of China and (b) Jiangnan Shipyard (Group) Co. Ltd., a company incorporated under the laws of the People's Republic of China with its registered office at 988 Changxing

Jiangnan Road, Changxing District, Changning County, Shanghai 201913, the People's Republic of China.

"**Building Contracts**" means the building contracts each dated 28 May 2012 made between the Builder and the respective Borrower on the terms and subject to the conditions of which the Builder has agreed to construct the Vessels for, and deliver the Vessels to, the Borrowers respectively and "**Building Contract**" means either one of them.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in New York, London, Athens and Beijing.

"**Charter**" means in respect of each Vessel any time charter and/or contract of employment, with a period of duration of more than twelve (12) months (or which is capable of exceeding twelve (12) months duration (inclusive of any extension options)), in respect of that Vessel entered or to be entered into between the relevant Borrower (as owner) and a charterer and "**Charters**" means all of them.

"**Commitment**" means, in relation to a Lender, the amount of the Loan which that Lender agrees to advance to the Borrowers as its several liability as indicated against the name of that Lender in Schedule 1 *(The Lenders and the Commitments)* and/or, where the context permits, the amount of the Loan advanced by that Lender and remaining outstanding and "**Commitments**" means more than one of them.

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 6 *(Form of Compliance Certificate)*.

"**Contract Price**" means, the purchase price in respect of each Vessel in the amount of twenty nine million Dollars ($29,000,000) as evidenced by the relevant Building Contract.

"**Credit Support Document**" means any document described as such in the Master Agreement and, where the context permits, any other document referred to in any Credit Support Document which has the effect of creating an Encumbrance 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.

"**Currency of Account**" means, in relation to any payment to be made to a Finance Party under a Finance Document, the currency in which that payment is required to be made by the terms of that Finance Document.

"**Deeds of Covenants**" means the deeds of covenants referred to in Clause 10.1.1 *(Security Documents)*.

"**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.

"**Delivery Date**" means the date of actual delivery of a Vessel to a Borrower under a Building Contract which in respect of the Erikub Vessel, is expected to take place on 31 October 2013 and in respect of the Wotho Vessel, on 31 December 2013.

"**Diana**" means Diana Shipping Services S.A., a company incorporated under the laws of the Republic of Panama with its registered 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.

"**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.

"**Dollars**" and "$" each means available and freely transferable and convertible funds in lawful currency of the United States of America.

"**Drawdown Date**" means the date on which the relevant Tranche is advanced under Clause 4 *(Advance)*.

"**Drawdown Notice**" means a notice substantially in the form set out in Schedule 4 *(Form of Drawdown Notice)*.

"**Earnings**" means (i) all hires, freights, pool income and other sums payable to or for the account of a Borrower 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 and (ii) to the extent not included in (i) above) all rights, title, interest and benefits of any Charter.

"**Earnings Accounts**" means the bank accounts to be opened in the name of the Borrowers with the Security Agent and designated "Erikub Shipping Company Inc. Earnings Account" and "Wotho Shipping Company Inc. — Earnings Account" respectively, and "Earnings Account" means either one of them.

"**Earnings Account Charges**" means the deeds of charge referred to in Clause 10.1.4 *(Security Documents)* and "**Earnings Account Charge**" means either one of them.

"**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 Laws**" means all local, state, provincial, federal, state local, foreign and international laws, regulations, treaties and conventions (including any amendments and/or protocols thereto) for the time being in force pertaining to the pollution or protection of human health or the environment (including ambient air, surface water, ground water, land surface or subsurface strata and all or any part of navigable waters, waters of the contiguous zone, ocean waters and international waters (howsoever called)), including laws, regulations, treaties and conventions (including any amendments and/or protocols thereto) for the time being in force.

"**Event of Default**" means any of the events or circumstances set out in Clause 13.1 *(Events of Default)*.

"**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 Security Parties have ceased to be under any further actual or contingent liability to the Finance Parties under or in connection with the Finance Documents.

"**Fair Market Value**" means the market value of a Vessel calculated in accordance with Clause 10.12 *(Fair Market Value determination)*.

"**Final Maturity Date**" means, the earlier of (a) the fifth (5th) anniversary of the Delivery Date of the relevant Vessel and (b) 31 March 2019 or such later date as the Lenders may agree in writing at their discretion.

"**Finance Documents**" means this Agreement, the Master Agreement, the Security Documents and any other document designated as such by the Agent and the Borrowers and "**Finance Document**" means any one of them.

"**Finance Parties**" means the Agent, the Arrangers, the Security Agent, the Swap Provider, the Arrangers and the Lenders and "Finance **Party**" means any one of them.

"**Financial Indebtedness**" means any obligation for the payment or repayment of money, whether present or future, actual or contingent, in respect of:

(a) moneys borrowed or raised and debit balances at banks;

(b) any acceptance or documentary credit facilities;

(c) any bond, note, debenture, loan stock or similar debt instrument;

(d) any finance leases and hire purchase contracts;

(e) receivables sold or discounted (other than on a non-recourse basis);

(f) swaps, forward exchange contracts, futures and other derivatives;

(g) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or of any of (b) to (g) above; and

(h) guarantees in respect of indebtedness of any person falling within any of (a) to (h) above.

"**GAAP**" means generally accepted accounting principles in the United States of America.

"**Guarantee**" means the guarantee and indemnity referred to in Clause 10.1.3 *(Security Documents)*.

"**Guarantor**" means Diana Shipping Inc., a company incorporated under the laws of the Republic of the Marshall Islands with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands ME 96960 and/or (where the context permits) any other person who shall at any time during the Facility Period gives to the Lenders or to the Security Agent on their behalf a guarantee and/or indemnity for the repayment of all or part of the Indebtedness.

"**Group**" means the Guarantor and its Subsidiaries from time to time (including, but not limited to, the Borrowers) but always excluding Diana Containership Inc. of the Republic of the Marshall Islands and its own Subsidiaries from time to time during the Facility Period and "**member of the Group**" shall be construed accordingly.

"**IAPPC**" means a valid international air pollution prevention certificate for a Vessel issued under Annex VI.

"**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.

"**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 premia.

"**Interest Payment Date**" means each date for the payment of interest in accordance with Clause 7.7 *(Accrual and payment of interest).*

"**Interest Period**" means each period for the determination and payment of interest selected by the Borrowers or agreed or selected by the Agent pursuant to Clause *7 (Interest).*

"**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.

"**ISPS Company**" means, at any given time, the company responsible for a Vessel's compliance with the ISPS Code.

"**ISSC**" means a valid international ship security certificate for a Vessel issued under the ISPS Code.

"**LIBOR**" means:

(a) the applicable Screen Rate; or

(b) (if no Screen Rate is available for any Interest Period) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks (or by two of them if one is unable to quote) to leading banks in the London interbank market,

at 11.00 a.m. two (2) Business Days before the first day of the relevant Interest Period for the offering of deposits in Dollars in an amount comparable to the Loan (or any relevant part of the Loan) and for a period comparable to the relevant Interest Period and, if any such rate is below zero, LIBOR will be deemed to be zero.

"**Loan**" means the aggregate amount advanced or to be advanced by the Lenders to the Borrowers under Clause 4 *(Advance)* or, where the context permits, the amount advanced and for the time being outstanding.

"**Majority Lenders**" means a Lender or Lenders whose Commitments aggregate more than eighty per cent (80%) of the aggregate of all the Commitments.

"**Management Agreements**" means the agreements for the commercial and/or technical management of the Vessels entered or to be entered into between the Borrowers respectively and the Managers and "Management **Agreement**" means either one of them.

"**Managers**" means Diana or such other commercial and/or technical managers of the Vessels controlled by the Guarantor as nominated by the Borrowers and approved by the Agent.

"**Managers' Undertakings**" means the letters of undertaking in respect of the Vessels referred to in Clause 10.1.7 *(Security Documents)* and "**Managers' Undertaking**" means either one of them.

"**Mandatory Cost**" means the percentage rate per annum calculated by the Agent in accordance with Schedule 3 *(Calculation of Mandatory Cost).*

"**Margin**" means three per cent (3%) per annum.

"**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 during the Facility Period, including each Schedule to any Master Agreement and each Confirmation exchanged pursuant to any Master Agreement.

"**Master Agreement Benefits**" means all benefits whatsoever of the Borrowers under or in connection with the Master Agreement including, without limitation, all moneys payable to the Borrowers under the Master Agreement and all claims for damages in respect of any breach by the Swap Provider of the Master Agreement.

"**Master Agreement Charge**" means the deed of charge referred to in Clause 10.1.6 *(Security Documents)*.

"**Maximum Tranche Amount**" **means**:-

(a) in respect of Tranche A, an amount not exceeding the lesser of (i) fifteen million Dollars ($15,000,000) and (ii) sixty per cent (60%) of the Fair Market Value of the Erikub Vessel on the basis of the valuations to be obtained by the Agent pursuant to Clause 3.1 *(Conditions precedent);* and

(b) in respect of Tranche B, an amount not exceeding the lesser of (i) fifteen million Dollars ($15,000,000) and (ii) sixty per cent (60%) of the Fair Market Value of the Wotho Vessel on the basis of the valuations to be obtained by the Agent pursuant to Clause 3.1 *(Conditions precedent);*.

"**Maximum Loan Amount**" means an aggregate amount not exceeding thirty million Dollars ($30,000,000).

"**Mortgages**" means the preferred or statutory (as the context shall require) mortgages referred to in Clause 10.1.1 *(Security Documents)* together with the Deeds of Covenants (if applicable) and "**Mortgage**" means either one of them.

"**Negative Share Pledges**" means the negative pledges of shares referred to in Clause 10.1.5 *(Security Documents)* and "**Negative Share Pledge**" means either one of them.

"**Original Financial Statements**" means the audited consolidated financial statements of the Borrowers and the Guarantor for the financial year ended 31 December 2012.

"**Permitted Encumbrance**" means (a) any Encumbrance which has been disclosed in writing to, and approved in writing by, the Agent on the date of this Agreement, or (b) any Encumbrance in favour of the Security Agent pursuant to the Finance Documents, or (c) any lien on a Vessel for master's, officer's or crew's wages outstanding in the ordinary course of trading, or (d) any lien for salvage, or (e) any ship repairer's or outfitter's possessory lien on a Vessel for a sum not (except with the prior written consent of the Agent) exceeding two million Dollars ($2,000,000), or (f) any other liens incurred in the ordinary course of business by operation of law and securing Borrowers' overdue obligations of no longer than thirty (30) days from the date of their occurrence.

"**Pledgor**" means the Guarantor in its capacity as pledgor and shareholder in the Borrowers.

"**Proportionate Share**" means, at any time, the proportion which a Lender's Commitment (whether or not advanced) then bears to the aggregate Commitments of all the Lenders (whether or not advanced).

"**Reference Banks**" means, in relation to LIBOR**,** the principal London offices of DNB BANK ASA or such other banks as may be appointed by the Agent in consultation with the Borrowers.

"**Relevant Documents**" means the Finance Documents, the Building Contracts, the Charters , the Shareholder Letter and the Management Agreements.

"**Repayment Date**" means the date for payment of any Repayment Instalment in accordance with Clause 5.1 *(Repayment of Tranches).*

"**Repayment Instalment**" means any instalment of the Loan to be repaid by the Borrowers under Clause 5.1 *(Repayment of Tranches).*

"**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).

"**Screen Rate**" means in relation to LIBOR, the British Bankers' Association Interest Settlement Rate for the relevant currency and period displayed on page LIBOR 01 of the Reuters screen. If the agreed page is replaced or the service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrowers and the Lenders.

"**Security Amount**" means the amount of the Loan 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.

"**Security Documents**" means the Mortgages, the Deeds of Covenants (if applicable), the Assignments, the Guarantee, the Earnings Account Charges, the Negative Share Pledges, the Master Agreement Charge, the Managers Undertakings, any other Credit Support Documents and any other agreement or document which may at any time be executed by any person as security for the payment of all or any part of the Indebtedness and "**Security Document**" means any one of them.

"**Security Parties**" means the Borrowers, the Guarantor, the Pledgor, the Managers, any other Credit Support Provider and any other person who may at any time during **the** Facility Period be liable for, or provide security for, **all** or any part of the Indebtedness, and "**Security Party**" means any one of them.

"**Shareholder**" means the person identified in the Shareholder Letter.

"**Shareholder Letter**" means the letter from the Shareholder addressed to the Agent at the date of this Agreement.

"**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.

"**SMS**" means a safety management system for a Vessel developed and implemented in accordance with the ISM Code.

"**Subsidiaries**" means any company or entity directly or indirectly controlled by such person, and for this purpose "control" means either the ownership of more than fifty per cent (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity or the power to direct its policies and management, whether by contract or otherwise and "**Subsidiary**" means any one of them.

"**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).

"**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) above), unless that Vessel is released and returned to the possession of the relevant Borrower within thirty (30) days after the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture in question.

"**Tranches**" means Tranche A and Tranche B and "**Tranche**" means either one of them.

"**Tranche A**" means an amount of the Loan advanced or to be advanced by the Lenders to the Borrowers not exceeding the relevant Maximum Tranche mount or, where the context permits, the amount thereof advanced and for the time being outstanding.

"**Tranche B**" means an amount of the Loan advanced or to be advanced by the Lenders to the Borrowers not exceeding the relevant Maximum Tranche Amount or,

where the context permits, the amount thereof advanced and for the time being outstanding.

"**Transaction**" means a transaction entered into between the Swap Provider and the Borrowers governed by the Master Agreement.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 5 *(Form of Transfer Certificate)* or any other form agreed between the Agent and the Borrowers.

"**Transfer Date**" means, in relation to any Transfer Certificate, the later of:

(a) the proposed Transfer Date specified in the Transfer Certificate; and

(b) the date on which the Agent executes the Transfer Certificate.

"**Trust Property**" means:

(a) all benefits derived by the Security Agent from Clause 10 *(Security and Application of Moneys);* and

(b) all benefits arising under (including, without limitation, all proceeds of the enforcement of) each of the Security Documents,

with the exception of any benefits arising solely for the benefit of the Security Agent.

"**Vessels**" means the two approximately 76,000 dwt bulk carriers and everything now or in the future belonging to them on board and ashore, to be constructed by the Builder with the Builder's hull numbers set out below for the respective Borrowers set out below on the terms of the Building Contracts and, on delivery to the Borrowers, intended to be registered under an Approved Flag in the ownership of the respective Borrower and "**Vessel**" means either one of them:

| **Hull Number** | **Borrower** | **Scheduled delivery date** |
|---|---|---|
| H2528<br>(the "Erikub Vessel") | Erikub | 31 October 2013 |
| H2529(the | Wotho | 31 December 2013 |

"Wotho Vessel")

1.2 In this Agreement:

1.2.1 words denoting the plural number include the singular and vice versa;

1.2.2 words denoting persons include corporations, partnerships, associations of persons (whether incorporated or not) or governmental or quasi-governmental bodies or authorities and vice versa;

1.2.3 references to Recitals, Clauses and Schedules are references to recitals, clauses and schedules to or of this Agreement;

1.2.4 references to this Agreement include the Recitals and the Schedules;

1.2.5 the headings and contents page(s) are for the purpose of reference only, have no legal or other significance, and shall be ignored in the interpretation of this Agreement;

1.2.6 references to any document (including, without limitation, to all or any of the Relevant Documents) are, unless the context otherwise requires, references to that document as amended, supplemented, novated or replaced from time to time;

1.2.7 references to "**indebtedness**" include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

1.2.8 references to statutes or provisions of statutes are references to those statutes, or those provisions, as from time to time amended, replaced or re-enacted;

1.2.9 references to any Finance Party include its successors, transferees and assignees;

1.2.10 a time of day (unless otherwise specified) is a reference to London time.; and

1.2.11 words and expressions defined in the Master Agreement, unless the context otherwise requires, have the same meaning.

1.3 **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 prior to the date of this Agreement.

## 2 The Loan and its Purpose

2.1 **Amount** Subject to the terms of this Agreement, the Lenders agree to make available to the Borrowers a term loan not exceeding the Maximum Loan Amount.

2.2 **Finance Parties' obligations** 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 to the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

2.3 **Purpose** The Borrowers shall apply the Loan for the purposes referred to in Recital **(B).**

2.4 **Monitoring** No Finance Party is bound to monitor or verify the application of any amount borrowed under this Agreement.

## 3 Conditions of Utilisation

3.1 **Conditions precedent** The Borrowers are not entitled to have a Tranche advanced unless the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 *(Conditions precedent)*, save that references in Section 2 of that Part **I** to "the Vessel" or to any person or document relating to a Vessel shall be deemed to relate solely to any Vessel specified in the relevant Drawdown Notice or to any person or document relating to that Vessel respectively.

3.2 **Further conditions precedent** The Lenders will only be obliged to advance a Tranche if on the date of the Drawdown Notice and on the proposed Drawdown Date:

3.2.1 no Default has occurred or would result from the advance of that Tranche;

3.2.2 the representations made by the Borrowers under Clause 11 *(Representations)* are true in all material respects; and

3.2.3 no event or series of events has occurred which, in the opinion of the Agent, is likely to have a materially adverse effect on the business, assets, financial condition or credit worthiness of a Security Party.

3.3 **Tranche limit** The Lenders will only be obliged to advance a Tranche if that Tranche will not be in excess of the relevant Maximum Tranche Amount nor increase the Loan to a sum in excess of the Maximum Loan Amount.

3.4 **Conditions subsequent** The Borrowers undertake to deliver or to cause to be delivered to the Agent on the relevant Drawdown Date or, on such other later date as the Agent may agree in its discretion, the additional documents and other evidence listed in Part II of Schedule 2 *(Conditions subsequent)*, save that references in that Part **II** to "the Vessel" or to any person or document relating to a Vessel shall be deemed to relate solely to any Vessel specified in the relevant Drawdown Notice or to any person or document relating to that Vessel respectively.

3.5 **No waiver** If the Lenders in their sole discretion agree to advance a Tranche to the Borrowers before all of the documents and evidence required by Clause 3.1 *(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 the date specified by the Agent (acting on the instructions of all the Lenders).

The advance of a Tranche under this Clause 3.5 shall not be taken as a waiver of the Lenders' right to require production of all the documents and evidence required by Clause 3.1 *(Conditions precedent).*

3.6 **Form and content** All documents and evidence delivered to the Agent under this Clause 3 shall:

3.6.1 be in form and substance acceptable to the Agent; and

3.6.2 if required by the Agent, be certified, notarised, legalised or attested in a manner acceptable to the Agent.

**4 Advance**

4.1 **Drawdown Request** The Borrowers may request a Tranche to be advanced in one amount on any Business Day prior to the relevant Availability Termination Date by delivering to the Agent a duly completed Drawdown Notice not fewer than six (6) Business Days before the proposed Drawdown Date and any undrawn part of a Tranche shall be cancelled and shall not be available for borrowing by the Borrowers on the earlier of (a) the relevant Drawdown Date, once the Tranche has been advanced and (b) the relevant Availability Termination Date. Any such Drawdown Notice shall be signed by authorised signatories of the Borrowers and, once delivered, is irrevocable.

4.2 **Lenders' participation** Subject to Clauses 2 *(The Loan and its Purpose)* and 3 *(Conditions of Utilisation)*, the Agent shall promptly notify each Lender of the receipt of a Drawdown Notice (and, in the case of The Export-Import Bank of China only, such notification shall be sent by the Agent via authenticated swift message), following which each Lender shall advance its Proportionate Share of the relevant Tranche to the Borrowers through the Agent on the relevant Drawdown Date.

**5 Repayment**

5.1 **Repayment of Tranches** The Borrowers agree to repay each Tranche to the Agent for the account of the Lenders by twenty (20) consecutive quarterly instalments, the first nineteen (19) such instalments each in the sum of two hundred and fifty thousand Dollars ($250,000) and the twentieth (20th) and final instalment in the sum of ten million two hundred and fifty thousand Dollars ($10,250,000) (comprising an instalment in the sum of two hundred and fifty thousand Dollars ($250,000) and a balloon payment of ten million Dollars ($10,000,000) (the "**Balloon**")**),** the first instalment falling due on the date which is three (3) calendar months after the relevant Drawdown Date and subsequent instalments falling due at consecutive intervals of three (3) calendar months thereafter with the final instalment in respect of each Tranche, together with any other amounts then outstanding under the Indebtedness, falling due not later than the relevant Final Maturity Date.

5.2 **Reduction of Repayment Instalments** If the aggregate amount advanced to the Borrowers under a Tranche is less than fifteen million Dollars ($15,000,000), the amount of each Repayment Instalment (including the Balloon) in respect of that Tranche shall be reduced pro rata to the amount actually advanced.

5.3 **Reborrowing** The Borrowers may not reborrow any part of the Loan which is repaid or prepaid.

**6 Prepayment**

6.1 **Illegality** If it becomes unlawful in any jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its Commitment:

6.1.1 that Lender shall promptly notify the Agent of that event;

6.1.2 upon the Agent notifying the Borrowers, such Lender's Commitment (to the extent not already advanced) will be immediately cancelled; and

6.1.3 the Borrowers shall repay a sum equal to such Lender's Commitment (to the extent already advanced) 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 law) and the remaining Repayment Instalments shall be reduced pro rata.

6.2 **Voluntary prepayment of Tranches** The Borrowers may prepay the whole or any part of a Tranche (but, if in part, being an amount that reduces that Tranche by a minimum amount of five hundred thousand Dollars ($500,000) or an integral multiple thereof) subject as follows:

6.2.1 they give the Agent not less than ten (10) Business Days' prior written notice;

6.2.2 no prepayment may be made until after the relevant Availability Termination Date; and

6.2.3 any prepayment under this Clause 6.2 shall satisfy the obligations under Clause 5.1 *(Repayment of Tranches)* pro rata, including the relevant Balloon.

6.3 **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 one hundred and twenty (120) days after any such Total Loss and the date on which the proceeds of any such Total Loss are realised, prepay the whole of the outstanding Indebtedness in respect of the Tranche for the Vessel in question.

6.4 **Restrictions** Any notice of prepayment given under this Clause 6 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.

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.

If the Agent receives a notice under this Clause 6 it shall promptly forward a copy of that notice to the Borrowers or the Lenders, as appropriate.

## 7 Interest

7.1 **Interest Periods** The period during which the Loan shall be outstanding under this Agreement shall be divided into consecutive Interest Periods of three (3) months' duration or such other duration as may be agreed between the Borrowers and the Lenders not later than 11.00 a.m. on the third Business Day before the beginning of the Interest Period in question.

7.2 **Beginning and end of Interest Periods** Each Interest Period shall start on the first Drawdown Date or (if a Tranche is already made) on the last day of the preceding Interest Period and end on the date which numerically corresponds to the first Drawdown Date or the last day of the preceding Interest Period in the relevant calendar month except that, if there is no numerically corresponding date in that calendar month, the Interest Period shall end on the last Business Day in that month.

7.3 **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.

7.4 **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).

7.5 **Interest rate** During each Interest Period interest shall accrue on the Loan at the rate determined by the Agent to be the aggregate of (a) the Margin (b) LIBOR and (c) the Mandatory Cost, if any.

7.6 **Accrual and payment of interest** Interest shall accrue from day to day, shall be calculated on the basis of a 360 day year and the actual number of days elapsed (or, in any circumstance where market practice differs, in accordance with the prevailing market practice) and shall be paid by the Borrowers to the Agent for the account of the Lenders on the last day of each Interest Period and, if the Interest Period is longer than three (3) months, on the dates falling at three (3) monthly intervals after the first day of that Interest Period.

7.7 **Default interest** If (a) a Borrower fails to pay any amount payable by it under a Finance Document on its due date or (b) an Event of Default has occurred and is continuing and notice has been given to the Borrowers, interest shall accrue on the overdue amount or on the amount of the Loan respectively from the due date or the date of the notice respectively up to the date of actual payment (both before and after judgment) or the date of remedy of the Event of Default to the Agent's full satisfaction at a rate which is two per cent (2%) higher than the rate which would have been payable if the overdue amount had, during the period of non-payment or Event of Default, constituted the Loan in the currency of the overdue amount for successive Interest Periods, each selected by the Agent (acting reasonably). Any interest accruing under this Clause 7.7 shall be immediately payable by that Borrower on demand by the Agent. If unpaid, any such interest 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.

7.8 **Alternative interest rate** If either (a) the applicable Screen Rate is not available for any Interest Period and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for that Interest Period or (b) a Lender or Lenders inform the Agent by written notice that the cost to it or them of obtaining matching deposits from whatever source it or they may reasonably select for any Interest Period would be in excess of LIBOR and that notice is received by the Agent no later than close of business in London on the day LIBOR is determined for that Interest Period:

7.8.1 the Agent shall give notice to the Lenders and the Borrowers of the occurrence of such event; and

7.8.2 the rate of interest on the relevant Lender's Commitment for that Interest Period shall be the 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 before 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 Commitment from whatever source it may reasonably select; and

(c) the Mandatory Cost, if any, applicable to that Lender's Commitment.

7.9 **Determinations conclusive** The Agent shall promptly notify the Borrowers of the determination of a rate of interest under this Clause 7 and each such determination shall (save in the case of manifest error) be final and conclusive.

7.10 **Interest rate hedging** Subject to the Master Agreement having been entered into between the Borrowers and the Swap Provider, the Borrowers may enter into one or more interest rate swaps, as approved by the Swap Provider, in order to fix the interest rate of the Loan for a period longer than twelve (12) months, PROVIDED THAT interest shall accrue and be due and payable on a quarterly basis and FURTHER PROVIDED THAT payment of the accrued interest for the last Interest Period does not exceed the Final Maturity Date.

**8 Indemnities**

8.1 **Transaction expenses** The Borrowers will, promptly on the Agent's written demand, pay the Agent (for the account of the Finance Parties) the amount of all costs and expenses (including legal fees and Value Added Tax or any similar or replacement tax if applicable) incurred by the Finance Parties or any of them in connection with:

8.1.1 the negotiation, preparation, printing, execution, syndication and distribution of information under this Agreement and registration of the Finance Documents (whether or not any Finance Document is actually executed or registered and whether or not all or any part of the Loan is advanced);

8.1.2 any amendment, addendum or supplement to any Finance Document (whether or not completed) (other than any amendment, addendum or supplement to any Finance Document made pursuant to Clause 14 *(Assignment and Sub-Participation));*

8.1.3 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 (including, without limitation, any valuation of the Vessels obtained in accordance with Clauses 10.12.1); and

8.1.4 any discharge, release or reassignment of any of the Security Documents.

8.2 **Funding costs** The Borrowers shall indemnify each Finance Party, by payment to the Agent (for the account of that Finance Party) promptly on the Agent's written demand, against all losses and costs incurred or sustained by that Finance Party if, for any reason, a Tranche is not advanced to the Borrowers after the relevant Drawdown Notice has been given to the Agent, or is advanced on a date other than that requested in the Drawdown Notice (unless, in either case, as a result of any default by a Finance Party).

8.3 **Break Costs** The Borrowers shall pay to the Agent (for the account of each Lender) promptly on the Agent's written demand the amount of all costs, losses, premiums or penalties incurred or to be incurred by that Lender as a result of its receiving any prepayment of all or any part of the Loan (whether pursuant to Clause 6

*(Prepayment)* or otherwise) on a day other than the last day of an Interest Period for the Loan or relevant part of the Loan, or any other payment under or in relation to the Finance Documents on a day other than the due date for payment of the sum in question, including (without limitation) any losses or costs incurred or to be incurred in liquidating or re-employing deposits from third parties acquired to effect or maintain all or any part of the Loan.

8.4 **Currency indemnity** In the event of a Finance Party receiving or recovering any amount payable under a Finance Document in a currency other than the Currency of Account, and if the amount received or recovered is insufficient when converted into the Currency of Account at the date of receipt to satisfy in full the amount due, the Borrowers shall, promptly on the Agent's written demand, pay to the Agent for the account of the relevant Finance Party such further amount in the Currency of Account as is sufficient to satisfy in full the amount due and that further amount shall be due to the Agent on behalf of the relevant Finance Party as a separate debt under this Agreement.

8.5 **Increased costs (subject to Clause 8.6 *(Exceptions to increased costs))*** If, by reason of the introduction of any law, or any change in any law, or any change in the interpretation or administration of any law, or compliance with any request or requirement from any central bank or any fiscal, monetary or other authority occurring after the date of this Agreement (including the implementation or application of or compliance with the Basel II Accord or any other Basel II Regulation or Basel III (whether such implementation, application or compliance is by any central bank or any fiscal, monetary or other authority, a Finance Party or the holding company of a Finance Party)):

8.5.1 a Finance Party (or the holding company of a Finance Party) shall be subject to any Tax with respect to payment of all or any part of the Indebtedness (other than Tax on overall net income); or

8.5.2 the basis of Taxation of payments to a Finance Party in respect of all or any part of the Indebtedness shall be changed; or

8.5.3 any reserve requirements shall be imposed, modified or deemed applicable against assets held by or deposits in or for the account of or loans by any branch of a Finance Party; or

8.5.4 the manner in which a Finance Party allocates capital resources to its obligations under this Agreement and/or the Master Agreement or any ratio (whether cash, capital adequacy, liquidity or otherwise) which a Finance Party is required or requested to maintain shall be affected; or

8.5.5 there is imposed on a Finance Party (or on the holding company of a Finance Party) any other condition in relation to the Indebtedness or the Finance Documents;

and the result of any of the above shall be to increase the cost to a Finance Party (or to the holding company of a Finance Party) of that Finance Party making or maintaining its Commitment, or its obligations under the Master Agreement, or to cause a Finance Party to suffer (in its opinion) a material reduction in the rate of return on its overall capital below the level which it reasonably anticipated at the date of this Agreement and which it would have been able to achieve but for its entering into this Agreement or the Master Agreement, and/or performing its obligations under this Agreement or the Master Agreement, or to cause a reduction in any amount due and payable to a Finance Party under any of the Finance Documents, then, subject to Clause 8.6 *(Exceptions to increased costs)*, the Finance Party affected shall notify the Agent and the Borrowers shall from time to time pay to the Agent on demand for the account of that Finance Party the amount which shall compensate that Finance Party (or the relevant holding company) for such additional cost or reduced return or reduced amount. A certificate signed by an authorised signatory of that Finance Party setting out the amount of that payment and the basis of its calculation shall be submitted to the Borrowers and shall be conclusive evidence of such amount save for manifest error or on any question of law.

For the purposes of this Clause 8.5:

"**Basel II Accord**" means the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement;

"**Basel II Approach**" means, in relation to a Finance Party, either the Standardised Approach or the relevant Internal Ratings Based Approach (each as defined in the Basel II Accord) adopted by that Finance Party (or its holding company) for the purpose of implementing or complying with the Basel II Accord;

"**Basel II Regulation**" means (a) any law or regulation implementing the Basel II Accord or (b) any Basel II Approach adopted by a Finance Party;

"**Basel III**" means (a) 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, (b) 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 and (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III"; and

"**holding company**" means, in respect of a Finance Party, the company or entity (if any) within the consolidated supervision of which that Finance Party is included.

8.6 **Exceptions to increased costs** Clause 8.5 *(Increased costs)* does not apply to the extent any additional cost or reduced return referred to in that Clause is:

8.6.1 compensated for by a payment made under Clause 8.10 *(Taxes);* or

8.6.2 compensated for by a payment made under Clause 17.3 *(Grossing-up);* or

8.6.3 compensated for by the payment of the Mandatory Cost; or

8.6.4 attributable to the wilful breach by the relevant Finance Party (or the holding company of that Finance Party) of any law or regulation.

8.7 **Events of Default** The Borrowers shall indemnify each Finance Party from time to time, by payment to the Agent (for the account of that Finance Party) promptly on the Agent's written demand, against all losses, costs, expenses and liabilities incurred or sustained by that Finance Party as a consequence of any Event of Default.

8.8 **Enforcement costs** The Borrowers shall pay to the Agent (for the account of each Finance Party) promptly on the Agent's written demand 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 including (without limitation) any losses, costs and expenses which that Finance Party may from time to time sustain, incur or become liable for by reason of that Finance Party being mortgagee of a Vessel and/or a lender to the Borrowers, or by reason of that Finance 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.

8.9 **Other costs** The Borrowers shall pay to the Agent (for the account of each Finance Party) promptly on the Agent's written demand the amount of all sums which that Finance 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 may pay or guarantees which it may give in respect of the Insurances, any expenses incurred by that Finance 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 may pay or guarantees which it may give to procure the release of a Vessel from arrest or detention.

8.10 **Taxes** The Borrowers shall pay all Taxes to which all or any part of the Indebtedness or any Finance Document may be at any time subject (other than Tax on a Finance Party's overall net income) and shall indemnify the Finance Parties, by payment to the Agent (for the account of the Finance Parties) promptly on the Agent's written demand, against all liabilities, costs, claims and expenses resulting from any omission to pay or delay in paying any such Taxes.

8.11 **Mitigation** If circumstances arise which would, or would upon the giving of notice, result in an increased payment required to be made by the Borrowers under Clause 8.5 *(Increased costs (subject to Clause 8.6 (Exceptions to increased costs))* or Clause 17.3 *(Grossing-up)* then, without in any way limiting the obligations of the Borrowers under either of these clauses, the relevant Finance Party shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the other Finance Documents to another of its offices not affected by the circumstances which gave rise to such increased payment

**9 Fees**

9.1 **Commitment fee** The Borrowers shall pay to the Agent (for the account of the Lenders in proportion to their Commitments) a non-refundable fee computed at the rate of zero point twenty per cent (0.20%) per annum on the undrawn Commitment from time to time from the date of this Agreement until the earlier of the Drawdown Date in respect of the last Tranche to be advanced and the last Availability Termination Date. The accrued commitment fee is payable on the last day of each successive period of three (3) months from the date of this Agreement and on the last Availability Termination Date.

9.2 **Flat fee** The Borrowers shall pay to the Agent for further distribution between the Lenders a non-refundable flat fee computed at the rate of zero point thirty per cent (0.30%) on the Maximum Loan Amount payable on the date of this Agreement and regardless of whether or not the Loan is advanced or cancelled.

9.3 **Agency fee** The Borrowers shall pay to the Agent (for its own account) a non-refundable agency fee in the amount of ten thousand Dollars ($10,000) payable on the first Drawdown Date and on each anniversary thereafter until expiry of the Facility Period.

**10 Security and Application of Moneys**

10.1 **Security Documents** As security for the payment of the Indebtedness, the Borrowers shall execute and deliver to the Security Agent or cause to be executed and delivered to the Security Agent the following documents in such forms and containing such terms and conditions as the Security Agent shall require:

10.1.1 first preferred or statutory (as the case may be) cross collaterized mortgages over the Vessels together with collateral deeds of covenants (if applicable);

10.1.2 first priority deeds of assignment of the Insurances, Earnings and Requisition Compensation of the Vessels;

10.1.3 a guarantee and indemnity from the Guarantor;

10.1.4 first priority deeds of charge over the Earnings Accounts and all amounts from time to time standing to the credit of the Earnings Accounts;

10.1.5 first priority negative pledges of all the issued shares of the Borrowers from the Pledgor;

10.1.6 a first priority deed of charge over the Master Agreement Benefits; and

10.1.7 letters of undertaking and subordination (including an assignment of Insurances) in respect of the Vessels from the Managers.

10.2 **Earnings Accounts** The Borrowers shall maintain the Earnings Accounts with the Security Agent 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.

10.3 **Earnings** The Borrowers shall procure that all Earnings and any Requisition Compensation are credited to the relevant Earnings Account.

10.4 **Application of Earnings Accounts** The Borrowers shall procure that there is transferred from the relevant Earnings Account to the Agent:

10.4.1 on each Repayment Date in respect of a Tranche, the amount of the Repayment Instalment then due; and

10.4.2 on each Interest Payment Date, the amount of interest then due,

and the Borrowers irrevocably authorise the Agent to make those transfers.

10.5 **Borrowers' obligations not affected** If for any reason the amount standing to the credit of the relevant 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.

10.6 **Withdrawals** Unless and until a Default occurs and the Agent shall direct to the contrary, the Borrowers may withdraw sums from their respective Earnings Account provided however that Clause 12.2.1 is complied with at any relevant time during the Facility Period.

10.7 **Relocation of Earnings Accounts** At any time following the occurrence and during the continuation of a Default, the Security Agent may without the consent of the Borrowers relocate either of the Earnings Accounts to any other branch of the

Security Agent, without prejudice to the continued application of this Clause 10 and the rights of the Finance Parties under the Finance Documents.

10.8 **Application after acceleration** From and after the giving of notice to the Borrowers by the Agent under Clause 13.2 *(Acceleration)*, the Borrowers shall procure that all sums from time to time standing to the credit of either of the Earnings Accounts are immediately transferred to the Security Agent for application in accordance with Clause 10.9 *(Application of moneys by Security Agent)* and the Borrowers irrevocably authorise the Security Agent to make those transfers.

10.9 **Application of moneys by Security Agent** The Borrowers and the Finance Parties irrevocably authorise the Security Agent to apply all moneys which it receives and is entitled to receive:

10.9.1 pursuant to a sale or other disposition of a Vessel or any right, title or interest in a Vessel; or

10.9.2 by way of payment of any sum in respect of the Insurances, Earnings or Requisition Compensation; or

10.9.3 by way of transfer of any sum from either of the Earnings Accounts; or

10.9.4 otherwise under or in connection with any Security Document,

in or towards satisfaction of the Indebtedness in the following order:

10.9.5 first, any unpaid fees, costs, expenses and default interest due to the Agent and the Security Agent under all or any of the Finance Documents, such application to be apportioned between the Agent and the Security Agent pro rata to the aggregate amount of such items due to each of them;

10.9.6 second, any unpaid fees, costs, expenses (including any sums paid by the Lenders under Clause 15.12 *(Indemnity))* of the Lenders due under this Agreement, such application to be apportioned between the Lenders pro rata to the aggregate **amount** of such items due to each of them;

10.9.7 third, any accrued but unpaid default interest due to the Lenders under this Agreement, such application to be apportioned between the Lenders pro rata to the aggregate amount of such default interest due to each of them;

10.9.8 fourth, any other accrued but unpaid interest due to the Lenders under this Agreement, such application to be apportioned between the Lenders pro rata to the aggregate amount of such interest due to each of them;

10.9.9 fifth, any principal of the Loan due and payable but unpaid under this Agreement, such application to be apportioned between the Lenders pro rata to each Lender's Proportionate Share; and

10.9.10 sixth, any other sum due and payable to any Finance Party but unpaid under all or any of the Finance Documents, such application to be apportioned between the Finance Parties pro rata to the aggregate amount of any such sum due to each of them;

PROVIDED THAT any part of the Indebtedness arising out of the Master Agreement shall be satisfied only after every other part of the Indebtedness for the time being due and payable has been satisfied in full; and

PROVIDED THAT the balance (if any) of the moneys received shall be paid to the Security Parties from whom or from whose assets those sums were received or recovered or to any other person entitled to them.

10.10 **Retention on account** Moneys to be applied by the Security Agent under Clause 10.9 *(Application of moneys by Security Agent)* shall be applied as soon as practicable after the relevant moneys are received by it, or otherwise become available to it, save that (without prejudice to any other provisions contained in any of the Security Documents) the Security Agent or any receiver or administrator may retain any such moneys by crediting them to a suspense account for so long and in such manner as the Security Agent or such receiver or administrator may from time to time determine with a view to preserving the rights of the Finance Parties or any of them to prove for the whole of the Indebtedness (or any relevant part) against the Borrowers or any of them or any other person liable.

10.11 **Additional security** If at any time during the Facility Period the aggregate of the Fair Market Value of the Vessels and the aggregate minimum credit balances maintained by the Borrowers in the Earnings Accounts in accordance with Clause 12.2.1 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 its discretion (in all other cases)) for the time being provided to the Security Agent under this Clause 10.11 is less than one hundred and twenty five per cent (125%) of the Security Amount, the Borrowers shall, upon the Agent's written request, at the Borrowers' option:

10.11.1 pay to the Security Agent or to its nominee a cash deposit in the amount of the shortfall to be held in the Earnings Accounts and secured in favour of the Security Agent as additional security for the payment of the Indebtedness; or

10.11.2 give to the Security Agent other additional security in amount and form acceptable to the Security Agent in its discretion; or

10.11.3 prepay the Loan in the amount of the shortfall.

Clauses 5.3 *(Reborrowing)*, 6.2.3 *(Voluntary prepayment of Tranches)* and 6.4 *(Restrictions)* shall apply, *mutatis mutandis*, to any prepayment made under this Clause 10.11 and the value of any additional security provided shall be determined as stated above.

10.12 **Fair Market Value determination**

10.12.1 For the purposes of Clause **10.11** *(Additional Security)*, the aggregate fair market value of the Vessels shall be determined by a valuation, or if so required by the Agent at its discretion by the average of two (2) valuations (together the "**Initial Valuations**"**),** each such valuation to be obtained by one (1) or, two (2) (as the case may be) Approved Brokers nominated by the Borrowers approved by the Lenders and appointed by, and reporting to the Agent, each such valuation to be addressed to the Agent and made 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 buyer and a willing seller. In the event, however, that the Agent obtains two (2) Initial Valuations and the difference between the Initial Valuations if in range, in respect to the lowest value of the Vessels, determined by each of them is more than ten per cent (10%), the Agent shall obtain a third valuation from another independent and reputable shipbroker appointed by, and reporting to the Agent (the "**Third**

**Valuation") )** such valuation to be addressed to the Agent and made 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 buyer and a willing seller and the average of the values determined by each Initial Valuation and the Third Valuation shall constitute the value of the Vessels. The Fair Market Value of the Vessels for the purposes of determining the relevant percentage referred to in Clause 10.11 *(Additional Security)* shall be tested no later than the date of the Drawdown Notice and on the 31st of December of each calendar year during the Facility Period or, at the Agent's discretion, at any other time during the Facility Period, and each valuation obtained by the Agent pursuant to this Clause 10.12 shall be (a) dated not earlier than thirty (30) days prior to the date the valuations are provided and (b) at the cost of the Borrowers.

10.12.2 For the purposes of Clause 3.1 *(Conditions precedent)*, the Fair Market Value of a Vessel shall be determined in accordance with the valuation method and on the terms and conditions as set out in Clause 10.12.1.

## 11 Representations

11.1 **Representations** The Borrowers make the representations and warranties set out in this Clause 11.1 to each Finance Party on the date of this Agreement.

11.1.1 **Status** Each Security Party (which is not an individual) is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation and has the power to own its assets and carry on its business as it is being conducted.

11.1.2 **Binding obligations** The obligations expressed to be assumed by each Security Party in each Finance Document to which it is a party are legal, valid, binding and enforceable obligations.

11.1.3 **Non-conflict with other obligations** The entry into and performance by each Security Party of, and the transactions contemplated by, the Finance Documents do not conflict with:

(a) any law or regulation applicable to that Security Party;

(b) the constitutional documents of that Security Party; or

(c) any document binding on that Security Party or any of its assets,

and in borrowing the Loan, the Borrowers are acting for their own account.

11.1.4 **Power and authority** Each Security Party 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 Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

11.1.5 **Validity and admissibility in evidence** All consents, licences, approvals, authorisations, filings and registrations required or desirable:

(a) to enable each Security Party lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party or to enable each Finance Party to enforce and exercise all its rights under the Finance Documents; and

(b) to make the Finance Documents to which any Security Party is a party admissible in evidence in its jurisdiction of incorporation,

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).*

11.1.6 **Governing law and enforcement** The choice of a particular law as the governing law of any Finance Document expressed to be governed by that law will be recognised and enforced in the jurisdiction of incorporation of each relevant Security Party, and any judgment obtained in the jurisdiction submitted to in any Finance Document will be recognised and enforced in the jurisdiction of incorporation of each relevant Security Party.

11.1.7 **Deduction of Tax** No Security Party 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.

11.1.8 **No filing or stamp taxes** Under the law of jurisdiction of incorporation of each relevant Security Party it is not necessary that the Finance Documents

be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents.

11.1.9 **No default** No Event of Default is continuing or might be expected to result from the advance of a Tranche.

11.1.10 **No misleading information** Any factual information provided by any Security Party to any Finance Party was true and accurate in all material respects as at the date it was provided.

11.1.11 **Pari passu ranking** The payment obligations of each Security Party 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.

11.1.12 **No proceedings pending or threatened** No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency have been started or (to the best of the Borrowers' knowledge threatened) which, if adversely determined, might reasonably be expected to have a materially adverse effect on the business, assets, financial condition or credit worthiness of any Security Party.

11.1.13 **Disclosure of material facts** The Borrowers are not aware of any material facts or circumstances which have not been disclosed to the Agent and which might, if disclosed, have adversely affected the decision of a person considering whether or not to make loan facilities of the nature contemplated by this Agreement available to the Borrowers.

11.1.14 **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 3 *(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.

11.1.15 **Environmental compliance** The Borrowers comply with all applicable Environmental Laws, all required governmental approvals and all requirements relating to the establishment of financial responsibility.

11.2 **Repetition** Each representation and warranty in Clause 11.1 *(Representations)* is deemed to be repeated by the Borrowers by reference to the facts and circumstances then existing on the date of each Drawdown Notice and the first day of each Interest Period.

## 12 Undertakings and Covenants

The undertakings and covenants in this Clause 12 remain in force for the duration of the Facility Period.

12.1 **Information and Undertakings**

12.1.1 **Financial statements** The Borrowers procure that the Guarantor shall supply to the Agent as soon as the same become available, but in any event within one hundred and eighty (180) days after the end of each of the Guarantor's financial years, the Group's annual audited consolidated financial statements for that financial year, in each case together with a Compliance Certificate, signed by the Chief Finance Officer of the Guarantor, setting out (in reasonable detail) computations as to compliance with Clause 12.2 *(Financial covenants)* and Clause 10.11 *(Additional Security)* as at the date as at which those financial statements were drawn up.

12.1.2 **Requirements as to financial statements** Each set of financial statements delivered by the Guarantor under Clause 12.1.1 *(Financial statements):*

(a) shall be certified by a director of the Guarantor as fairly representing its financial condition as at the date as at which those financial statements were drawn up; and

(b) 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, the Guarantor notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and the Guarantor's auditors deliver to the Agent:

(i) 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

(ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Agent to make an accurate comparison between the financial position indicated in those financial statements and that indicated in the Original Financial Statements.

12.1.3 **Interim financial statements** The Borrowers shall procure that the Guarantor shall supply to the Agent as soon as the same become available, but in any event within ninety (90) days after the end of each quarter during each of the Guarantor's financial years, the Group's consolidated unaudited quarterly financial statements for that quarter, in each case together with a Compliance Certificate, signed by the Chief Finance Officer of the Guarantor, setting out (in reasonable detail) computations as to compliance with Clause 12.2 *(Financial covenants)* and Clause 10.11 *(Additional Security)* as at the date as at which those financial statements were drawn up.

12.1.4 **Information: miscellaneous** The Borrowers shall, and shall procure that the Guarantor shall supply to the Agent:

(a) all documents dispatched by a Borrower or the Guarantor to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;

(b) promptly upon becoming aware of them, details of any material litigation, arbitration or administrative proceedings which are current, threatened or pending against any Security Party, and which might, if adversely determined, have a materially adverse effect on the business, assets, financial condition or credit worthiness of that Security Party; and

(c) promptly, such further information regarding the financial condition, business and operations of any Security Party as the Agent may reasonably request and which can be provided to the Agent without breaching any rules of confidentiality including, without limitation, cash flow analyses and details of the operating costs of any Vessel.

12.1.5 **Notification of default**

(a) The Borrowers shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

(b) 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).

12.1.6 "**Know your customer**" **checks** 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 a Borrower 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 (c) above, 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, 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, in the case of (c) above, on behalf of any prospective new Lender) in order for the Agent or that Lender (or, in the case of (c) above, 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. Notwithstanding the above, the Agent shall be at liberty at all times during the Facility Period to request the Borrowers to provide the Agent with any such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) in order for the Agent or that Lender to be satisfied it has "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

12.2 **Financial covenants**

12.2.1 Each Borrower shall, from the relevant Drawdown Date and throughout the Facility Period, maintain in the relevant Earnings Account a credit balance of not less than two hundred thousand Dollars ($200,000) for its Vessel.

12.2.2 The Borrowers shall procure that the Guarantor shall (A) maintain from the first Drawdown Date and throughout the Facility Period Cash of not less than five hundred thousand Dollars ($500,000) for each Fleet Vessel and (B) maintain the following financial ratios on a consolidated basis throughout the Facility Period:

12.2.2.1 Adjusted Net Worth shall not be less than one hundred and fifty million Dollars ($150,000,000); and

12.2.2.1 Adjusted Net Worth shall exceed twenty five per cent (25%) of the Total Assets.

For the purposes of this Clause 12.2:

"**Accounting Information**" means the quarterly consolidated financial statements and/or the annual consolidated financial statements to be provided by the Guarantor to the Agent in accordance with Clauses 12.1.1 and 12.1.3.

"**Accounting Period**" means each consecutive period of approximately three months falling during the Facility Period (ending on the last day in March, June, September and December of each year) for which quarterly Accounting Information is required to be delivered pursuant to Clause 12.1.3.

"**Adjusted Net Worth**" means, in respect of an Accounting Period, the amount of Total Assets less Debt.

"**Cash**" means cash in bank accounts which is not subject to any charge back or other Encumbrance and to which a Borrower or the Guarantor (as the context requires) has free, immediate and direct access.

"**Current Assets**" means, in respect of each Accounting Period, the aggregate of the cash and marketable securities, trade and other receivables from persons other than a member of the Group realisable within one year, inventories and prepaid expenses which are to be charged to income within one year less any doubtful debts and any discounts or allowances given as stated in the then most recent Accounting Information.

"**Debt**" means, in respect of an Accounting Period, in relation to any member of the Group (the "**debtor**"**):**

(a) any Financial Indebtedness of the debtor;

(b) liability of any credit to the debtor from a supplier of goods or services or under any instalment purchase or payment plan or other similar arrangement;

(c) contingent liabilities of the debtor (including without limitation any taxes or other payments under dispute) which have been or, under GAAP, should be recorded in the notes to the Accounting Information;

(d) any deferred tax of the debtor; and

(e) liability under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person who is not a member of the Group which would fall within (a) to (d) above if the references to the debtor referred to the other person.

"**Fleet Vessels**" means any vessel directly or indirectly owned by the Group, excluding however any vessels which are at any given time during the Facility Period under construction and not yet delivered to the relevant Subsidiary.

"**Tangible Fixed Assets**" means, in respect of an Accounting Period, the value (less depreciation computed in accordance with GAAP) on a consolidated basis of all the assets of the Group which would, in accordance with GAAP, be classified as tangible fixed assets, namely items held for ongoing use to the business of the Group including, without limitation, any land, plant, machinery and vessels as such value is stated in the then most recent Accounting Information Provided that, for the purposes of determining compliance with the covenants set forth in Clause 12.2.2, the value of such tangible fixed assets attributable to the Fleet Vessels shall be equal to the aggregate Fair Market Value of such Fleet Vessels rather than the value of such Fleet Vessels as stated in the then most recent Accounting Information.

"**Total Assets**" means, in respect of an Accounting Period, the aggregate of Current Assets and Tangible Fixed Assets.

12.2.3 **General undertakings**

12.2.4 **Authorisations** The Borrowers shall promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) supply certified copies to the Agent of,

any consent, licence, approval or authorisation required under any law or regulation to enable each Security Party to perform its obligations under the Finance Documents to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in the jurisdiction of incorporation of each relevant Security Party of any Finance Document.

12.2.5 Compliance **with laws** Each Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

12.2.6 Conduct of business Each Borrower shall carry on and conduct its business in a proper and efficient manner, file all requisite tax returns and pay all tax which becomes due and payable (except where contested in good faith).

12.2.7 **Evidence of good standing** The Borrowers will from time to time if requested by the Agent provide the Agent with evidence in form and substance satisfactory to the Agent that the Security Parties and all corporate shareholders of any Security Party (other than the Guarantor) remain in good standing.

12.2.8 **Negative pledge and no disposals** Neither Borrower shall without the prior written consent of the Agent create nor permit to subsist any Encumbrance or other third party rights (other than a Permitted Encumbrance) over any of its present or future assets or undertaking nor dispose of any of those assets or of all or part of that undertaking.

12.2.9 Merger Neither Borrower nor the Guarantor shall without the prior written consent of the Agent enter into any amalgamation, demerger, merger or corporate reconstruction.

12.2.10 **Change of business or corporate structure** Neither Borrower nor the Guarantor shall without the prior written consent of the Lenders make any substantial change to (a) the general nature of its business from that carried on at the date of this Agreement or (b) the corporate structure of the Borrowers as at the date of this Agreement.

12.2.11 **No other business** Neither Borrower shall without the prior written consent of the Agent engage in any business other than the ownership, operation, chartering and management of its Vessel.

12.2.12 **No borrowings** Neither Borrower shall without the prior written consent of the Agent borrow any money (except for the Loan and normal trade credit in the ordinary course of business) nor incur any obligations under leases.

12.2.13 **Subordination of shareholder loans** The Borrowers shall procure that any shareholder loans and/or inter company borrowings or other indebtedness permitted by the terms of this Agreement are fully subordinated to the

12.2.14 **No substantial liabilities** Except in the ordinary course of business, no Borrower shall without the prior written consent of the Agent incur any liability to any third party which is in the Agent's opinion of a substantial ature.

12.2.15 **No loans or other financial commitments** Neither Borrower shall without the prior written consent of the Agent make any loan nor enter into any guarantee or indemnity or otherwise voluntarily assume any actual or contingent liability in respect of any obligation of any other person except for loans made or guarantees or indemnities from time to time required by any protection and indemnity or war risks association in the ordinary course of business in connection with the chartering, operation or repair of its Vessel.

12.2.16 **No dividends or reduction of share capital** Neither Borrower shall without the prior written consent of the Agent (A) pay or declare any dividends or make any other distributions to shareholders provided however that a Borrower may pay or declare dividends or make distributions to the Guarantor if no Event of Default has occurred and is continuing at the time of such payment or declaration or distribution or would occur as a result thereof or **(B)** issue any new shares or (C) reduce its share capital as at the date of this Agreement.

12.2.17 **Inspection of records** Each Borrower will permit the inspection of its financial records and accounts from time to time by the Agent or its nominee.

12.2.18 **Transactions with affiliated companies** Neither Borrower shall without the prior written consent of the Agent, enter into any transactions (except on arm's length terms) with any affiliated companies.

12.2.19 **No change in Relevant Documents** The Borrowers shall procure that, without the prior written consent of the Agent, there shall be no termination

of, alteration to, or waiver of any material, in the Agent's opinion, term of, any of the Relevant Documents which are not Finance Documents.

12.2.20 **No change in ownership and control** Each Borrower undertakes that its ownership shall remain unchanged at all times throughout the Facility Period and shall not permit any change thereof without the prior written consent of the Agent.

12.2.21 **Ownership of the Guarantor** The Borrowers shall procure that, at all times during the Facility Period, the Shareholder shall (a) remain the major legal owner or ultimate beneficial owner of the Guarantor (excluding any financial institution acting as a passive investor) and (b) hold an executive position within the management structure of the Guarantor.

12.2.22 **No Subsidiaries** Neither Borrower shall without the prior written consent of the Agent form or acquire any Subsidiaries.

12.2.23 **No dealings with Master Agreement** Neither 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.

12.3 **Vessel undertakings**

12.3.1 **No sale of Vessel** Neither Borrower shall sell or otherwise dispose of its Vessel or any shares in its Vessel nor agree to do so without the prior written consent of the Agent.

12.3.2 **No chartering after Event of Default** Following the occurrence and during the continuation of an Event of Default neither Borrower shall without the prior written consent of the Agent let its Vessel on charter or renew or extend any charter or other contract of employment of its Vessel (nor agree to do so).

12.3.3 **No change in management** Each Borrower shall procure that, without the prior written consent of the Lenders, there shall be no termination of, alteration to, or waiver of any material, in the Agent's opinion, term of, the Management Agreement in respect of its Vessel and neither Borrower shall without the prior written consent of the Agent permit the Managers to sub-

contract or delegate the commercial or technical management of its Vessel to any third party.

12.3.4 **Registration of Vessel** Each Borrower undertakes to maintain the registration of its Vessel under an Approved Flag for the duration of the Facility Period and shall not change its Vessel's flag unless with the Lenders' prior written consent (such consent not to be unreasonably withheld).

12.3.5 **Evidence of current COFR** Each Borrower will, if and for so long as its Vessel trades in the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990), obtain and retain a valid Certificate of Financial Responsibility for its Vessel under that Act, will provide the Agent with evidence of that Certificate, and will comply strictly with the requirements of that Act.

12.3.6 **ISM Code compliance** Each Borrower will:

(a) procure that its Vessel remains for the duration of the Facility Period subject to a SMS;

(b) maintain a valid and current SMC for its Vessel throughout the Facility Period and provide a copy to the Agent;

(c) procure that the ISM Company maintains a valid and current DOC throughout the Facility Period and provide a copy to the Agent; and

(d) immediately notify the Agent in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the SMC of its Vessel or of the DOC of the ISM Company.

12.3.7 **ISPS Code compliance** Each Borrower will:

(a) for the duration of the Facility Period comply with the ISPS Code in relation to its Vessel and procure that its Vessel and the ISPS Company comply with the ISPS Code;

(b) maintain a valid and current ISSC for its Vessel throughout the Facility Period and provide a copy to the Agent; and

(c) immediately notify the Agent in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC of its Vessel.

12.3.8 **Annex VI compliance** Each Borrower will:

(a) for the duration of the Facility Period comply with Annex VI in relation to its Vessel and procure that its Vessel's master and crew are familiar with, and that its Vessel complies with, Annex VI;

(b) maintain a valid and current IAPPC for its Vessel throughout the Facility Period and provide a copy to the Agent; and

(c) immediately notify the Agent in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the IAPPC of its Vessel.

12.3.9 **Class** Each Vessel shall be classed with a classification society acceptable to the Lenders and, commencing from the relevant Delivery Date shall be classed with China Classification Society (CCS) on a dual basis with the highest class without any material overdue recommendations or adverse notations and neither Borrower shall without the prior written consent of the Lenders change the class of its Vessel.

12.3.10 **Environmental Laws** All Environmental Laws applicable to a Vessel shall be complied with in all material respects and all material consents, licenses and approvals required under such Environmental Laws shall be obtained and complied with in all material respects.

## 13 Events of Default

13.1 **Events of Default** Each of the events or circumstances set out in this Clause 13.1 is an Event of Default.

13.1.1 **Non-payment** The Borrowers do not pay on the due date any amount payable by them under a Finance Document at the place at and in the currency in which it is expressed to be payable.

13.1.2 **Other obligations** A Security Party or any other person (except a Finance Party) does not comply with any provision of any of the Relevant Documents to which that Security Party or person is a party (other than as referred to in Clause 13.1.1 *(Non-payment))*.

No Event of Default under this Clause 13.1.2 will occur if:

(a) the failure to comply is capable of remedy and does not relate either to the Insurances or to compliance with Clause 10.11 *(Additional security)* and is remedied within ten (10) Business Days of the Agent giving notice to the Borrowers or the Borrowers becoming aware of the failure to comply; or

(b) the failure to comply relates to a Charter and, if it is capable of remedy is remedied within seven (7) Business Days of the Borrowers becoming aware of such failure to comply.

13.1.3 **Misrepresentation** Any representation, warranty or statement made or deemed to be repeated by a Security Party in any Finance Document or any other document delivered by or on behalf of a Security Party under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be repeated.

13.1.4 **Cross default** Any Financial Indebtedness of any Security Party or any other member of the Group is not paid when due or any Financial Indebtedness of any Security Party or any other member of the Group becomes (whether by declaration or automatically in accordance with the relevant agreement or instrument constituting the same) due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by the relevant Security Party or any other member of the Group of a voluntary right of prepayment), or any creditor of any Security Party or any other member of the Group becomes entitled to declare any such Financial Indebtedness due and payable or any facility or commitment available to any Security Party or other member of the Group relating to Financial Indebtedness is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned unless the relevant Security Party or any other member of the Group shall have

satisfied the Agent that such withdrawal, suspension or cancellation will not affect or prejudice in any way the ability of the relevant Security Party or of the relevant member of the Group to pay its debts as they fall due and fund its commitments or any guarantee given by any Security Party or any other member of the Group in respect of the Financial Indebtedness is not honoured when due and called upon Provided that the amount or aggregate amount at any one time, of all Financial Indebtedness of any Security Party or any other member of the Group in relation to which any of the foregoing events shall have occurred and be continuing, is equal to or greater than five million Dollars ($5,000,000) or its equivalent in the currency which the same is denominated or payable. For the avoidance of doubt, for the purpose of this Clause 13.1.4 references to Financial Indebtedness shall exclude the Indebtedness.

13.1.5 **Insolvency**

(a) A Security Party is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, 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 a Security Party is less than its liabilities (taking into account contingent and prospective liabilities).

(c) A moratorium is declared in respect of any indebtedness of a Security Party.

13.1.6 **Insolvency proceedings** Any corporate action, legal proceedings or other procedure or step is taken for:

(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 a Security Party;

(b) a composition, compromise, assignment or arrangement with any creditor of a Security Party;

(c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, or trustee or other similar officer in respect of any Security Party or any of its assets; or

(d) enforcement of any Encumbrance over any assets of a Security Party,

or any analogous procedure or step is taken in any jurisdiction.

13.1.7 **Creditors' process** Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a Security Party and is not discharged within seven (7) days.

13.1.8 **Change in ownership of a Borrower or the Guarantor** (a) There is any change in the ownership of a Borrower or (b) the Shareholder ceases to be the major legal owner or ultimate beneficial owner of the Guarantor (excluding any financial institution acting as a passive investor), from that advised to the Agent by the Borrowers at the date of this Agreement.

13.1.9 **Repudiation etc** A Security Party or any other person (except a Finance Party) repudiates any of the Relevant Documents to which that Security Party or person is a party or evidences an intention to do so.

No Event of Default under this Clause 13.1.9 will occur if the repudiation is in relation to a Charter and such repudiation is beyond the control of the relevant Borrower and, if it is capable of remedy is remedied within seven (7) Business Days of the Borrowers becoming aware of such repudiation.

13.1.10 **Impossibility or illegality** Any event occurs which would, or would with the passage of time, render performance of any of the Relevant Documents by a Security Party or any other party to any such document impossible, unlawful or unenforceable by a Finance Party or a Security Party.

No Event of Default under this Clause 13.1.10 will occur if the impossibility or illegality is in relation to a Charter or a Management Agreement and such impossibility or illegality is beyond the control of the relevant Borrower and, if it is capable of remedy is remedied within seven

(7) Business Days of the Borrowers becoming aware of such impossibility or illegality.

13.1.11 **Conditions subsequent** Any of the conditions referred to in Clause 3.4 *(Conditions subsequent)* is not satisfied within the time reasonably required by the Agent.

13.1.12 **Revocation or modification of authorization** Any consent, licence, approval, authorisation, filing, registration or other requirement 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 a Security Party or any other person (except a Finance Party) to comply with any of its obligations under any of the Relevant Documents 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 a Finance Party, or ceases to remain in full force and effect.

No Event of Default under this Clause 13.1.12 will occur if the revocation or modification of authorisation is in relation to a Charter or a Management Agreement and such revocation or modification of authorisation is beyond the control of the relevant Borrower and, if it is capable of remedy is remedied within seven (7) Business Days of the Borrowers becoming aware of such revocation or modification of authorisation.

13.1.13 Curtailment **of business** A Security Party ceases, or threatens to cease, to carry on all or a substantial part of its business or, as a result of intervention by or under the authority of any government, the business of a Security Party is wholly or partially curtailed or suspended, or all or a substantial part of the assets or undertaking of a Security Party is seized, nationalised, expropriated or compulsorily acquired.

13.1.14 **Reduction of capital** A Security Party reduces its authorised or issued or subscribed capital.

13.1.15 **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 13.1.15 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 one hundred and twenty (120) days of the occurrence of the casualty giving rise to the Total Loss in question or such longer period as the Agent may in its discretion agree.

13.1.16 **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.

13.1.17 **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 in its discretion considers that, as a result, the security conferred by any of the Security Documents is materially prejudiced.

13.1.18 **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.

13.1.19 **Notice of termination** The Guarantor gives notice to the Security Agent to determine its obligations under the Guarantee.

13.1.20 **Material adverse change** Any event or series of events occurs which, in the opinion of the Agent, is likely to have a materially adverse effect on the business, assets, financial condition or credit worthiness of a Security Party.

13.1.21 **Arrest** A Vessel is arrested or detained or seized by any person other than any government or persons acting on behalf of any government and not released and returned to the possession of the relevant Borrower within fifteen (15) Business Days after the arrest or detention or seizure in question.

13.2 **Acceleration** If an Event of Default is continuing the Agent may by notice to the Borrowers cancel any part of the Maximum Loan Amount not then advanced and:

13.2.1 declare that the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents are immediately due and payable, whereupon they shall become immediately due and payable; and/or

13.2.2 declare that the Loan is payable on demand, whereupon it shall immediately become payable on demand by the Agent.

**14 Assignment and Sub-Participation**

14.1 **Lenders' rights** A Lender may (A) without the Borrowers' prior written consent and so long as such assignment does not result in any additional cost to the Borrowers, assign any of its rights under this Agreement to any of its branches, wholly owned subsidiaries and affiliates or (B) subject to the Borrowers' prior written consent (such consent not to be unreasonably withheld or delayed), assign any of its rights under this Agreement or transfer by novation any of its rights and obligations under this Agreement to any other bank or financial institution or, in each case (for the purpose of a securitisation of that Lender's rights or obligations under the Finance Documents or a similar transaction of broadly equivalent economic effect) to any special purpose vehicle, and may grant sub-participations in all or any part of its Commitment.

14.2 **Borrowers' co-operation** The Borrowers will co-operate fully with a Lender in connection with any assignment, transfer or sub-participation by that Lender; will execute and procure the execution of such documents as that Lender may require in

that connection; and irrevocably authorise any Finance Party to disclose to any proposed assignee, transferee or sub-participant (whether before or after any assignment, transfer or sub-participation and whether or not any assignment, transfer or sub-participation shall take place) all information relating to the Security Parties, the Loan, the Relevant Documents and the Vessels which any Finance Party may in its discretion consider necessary or desirable.

14.3 **Rights of assignee** Any assignee of a Lender shall (unless limited by the express terms of the assignment) take the full benefit of every provision of the Finance Documents benefitting that Lender PROVIDED THAT an assignment will only be effective on notification by the Agent to that Lender and the assignee that the Agent 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 the assignee.

14.4 **Transfer Certificates** If a Lender wishes to transfer any of its rights and obligations under or pursuant to this Agreement, it may do so by delivering to the Agent a duly completed Transfer Certificate, in which event on the Transfer Date:

14.4.1 to the extent that that Lender seeks to transfer its rights and obligations, the Borrowers (on the one hand) and that Lender (on the other) shall be released from further obligations towards the other;

14.4.2 the Borrowers (on the one hand) and the transferee (on the other) shall assume obligations towards the other identical to those released pursuant to Clause 14.4.1 ; and

14.4.3 the Agent, each of the Lenders and the transferee shall have the same rights and obligations between themselves as they would have had if the transferee had been an original party to this Agreement as a Lender with the rights and obligations transferred to it as a result of the transfer

PROVIDED THAT the Agent shall only be obliged to execute a Transfer Certificate once:

(a) 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 the transferee; and

(b) the transferee has paid to the Agent for its own account a transfer fee of two thousand Dollars ($2,000).

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Borrowers a copy of that Transfer Certificate.

14.5 **Finance Documents** Unless otherwise expressly provided in any Finance Document or otherwise expressly agreed between a Lender and any proposed transferee and notified by that Lender to the Agent on or before the relevant Transfer Date, there shall automatically be assigned to the transferee with any transfer of a Lender's rights and obligations under or pursuant to this Agreement the rights of that Lender under or pursuant to the Finance Documents (other than this Agreement) which relate to the portion of that Lender's rights and obligations transferred by the relevant Transfer Certificate.

14.6 **No assignment or transfer by the Borrowers** No Borrower may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

14.7 **Securitisation** A Lender may disclose the size and term of the Loan and the name of each of the Security Parties to any investor or potential investor in a securitisation (or similar transaction of broadly equivalent economic effect) of that Lender's rights or obligations under the Finance Documents.

## 15 The Agent, the Security Agent and the Lenders

15.1 **Appointment**

15.1.1 Each Lender appoints the Agent to act as its agent under and in connection with the Finance Documents and each Lender and the Agent appoints the Security Agent to act as its security agent for the purpose of the Security Documents.

15.1.2 Each Lender authorises the Agent and each Lender and the Agent authorises the Security Agent 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.

15.1.3 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.

15.1.4 Except where the context otherwise requires or where expressly provided to the contrary, references in this Clause 15 to the "**Agent**" shall mean the Agent and the Security Agent individually and collectively and references in this Clause 15 to the "**Finance Documents**" or to any "**Finance Document**" shall not include the Master Agreement.

15.2 **Authority** Each of the other Finance Parties irrevocably authorises the Agent (subject to Clauses 15.4 *(Limitations on authority)* and 15.18 *(Instructions)):*

15.2.1 to execute on its behalf any Finance Document (other than this Agreement) and any variation or amendment of any Finance Document (including this Agreement);

15.2.2 to collect, receive, release or pay any money on its behalf;

15.2.3 acting on the instructions from time to time of the Majority Lenders to give or withhold any waivers, consents or approvals under or pursuant to any Finance Document; and

15.2.4 acting on the unanimous instructions from time to time of the Lenders to exercise, or refrain from exercising, any rights, powers, authorities or discretions (including, without limitation, determining matters to be acceptable to or agreed by the Agent) under or pursuant to any Finance Document.

The Agent shall have no duties or responsibilities as agent or as security agent other than those expressly conferred on it by the Finance Documents and shall not be obliged to act on any instructions from the Lenders or the Majority Lenders if to do so would, in the opinion of the Agent, be contrary to any provision of the Finance Documents or to any law, or would expose the Agent to any actual or potential liability to any third party.

15.3 **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 15.3, 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 15.3. 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:

15.3.1 the Security Agent and any attorney, agent or delegate of the Security Agent 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 other such person 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;

15.3.2 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; and

15.3.3 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.

The provisions of Part **I** of the Trustee Act 2000 shall not apply to the Security Agent or the Trust Property.

15.4 **Limitations on authority** Except with the prior written consent of all the Lenders, the Agent shall not be entitled to:

15.4.1 release or vary any security given for the Borrowers' obligations under this Agreement; nor

15.4.2 waive the payment of any sum of money payable by any Security Party under the Finance Documents; nor

15.4.3 reduce the Margin; nor

15.4.4 change the meaning of the expression "**Majority Lenders**"**;** nor

15.4.5 change the order of application of any moneys set out in this Agreement; nor

15.4.6 exercise, or refrain from exercising, any right, power, authority or discretion, or give or withhold any consent, the exercise or giving of which is, by the terms of this Agreement, expressly reserved to the Lenders or dependent on the instructions of all the Lenders; nor

15.4.7 extend the due date for the payment of any sum of money payable by any Security Party under any Finance Document; nor

15.4.8 take or refrain from taking any step if the effect of such action or inaction may lead to the increase of the obligations of a Lender under any Finance Document; nor

15.4.9 agree to change the currency in which any sum is payable under any Finance Document (other than in accordance with the terms of the relevant Finance Document); nor

15.4.10 agree to change this Clause 15.4;

and any amendment or waiver which relates to any of the matters referred to in this Clause 15.4 shall not be entered into by the Agent until all the Lenders have agreed its terms.

15.5 **Liability** Neither the Agent nor any of its directors, officers, employees or agents shall be liable to the Lenders for anything done or omitted to be done by the Agent under or in connection with any of the Relevant Documents unless as a result of the Agent's gross negligence or wilful misconduct.

15.6 **Acknowledgement** Each Lender acknowledges that:

15.6.1 it has not relied on any representation made by the Agent or any of the Agent's directors, officers, employees or agents or by any other person acting or purporting to act on behalf of the Agent to induce it to enter into any Finance Document;

15.6.2 it has made and will continue to make without reliance on the Agent, and based on such documents and other evidence as it considers appropriate, its own independent investigation of the financial condition and affairs of the Security Parties in connection with the making and continuation of the Loan;

15.6.3 it has made its own appraisal of the creditworthiness of the Security Parties; and

15.6.4 the Agent shall not have any duty or responsibility at any time to provide it with any credit or other information relating to any Security Party unless that information is received by the Agent pursuant to the express terms of a Finance Document.

Each Lender agrees that it will not assert nor seek to assert against any director, officer, employee or agent of the Agent or against any other person acting or purporting to act on behalf of the Agent any claim which it might have against them in respect of any of the matters referred to in this Clause 15.6.

15.7 **Limitations on responsibility** The Agent shall have no responsibility to any Security Party or to any Lender on account of:

15.7.1 the failure of a Lender or of any Security Party to perform any of its obligations under a Finance Document; nor

15.7.2 the financial condition of any Security Party; nor

15.7.3 the completeness or accuracy of any statements, representations or warranties made in or pursuant to any Finance Document, or in or pursuant to any document delivered pursuant to or in connection with any Finance Document; nor

15.7.4 the negotiation, execution, effectiveness, genuineness, validity, enforceability, admissibility in evidence or sufficiency of any Finance Document or of any document executed or delivered pursuant to or in connection with any Finance Document.

15.8 **The Agent's rights** The Agent may:

15.8.1 assume that all representations or warranties made or deemed repeated by any Security Party in or pursuant to any Finance Document are true and complete, unless, in its capacity as the Agent, it has acquired actual knowledge to the contrary;

15.8.2 assume that no Default has occurred unless, in its capacity as the Agent, it has acquired actual knowledge to the contrary;

15.8.3 rely on any document or notice believed by it to be genuine;

15.8.4 rely as to legal or other professional matters on opinions and statements of any legal or other professional advisers selected or approved by it;

15.8.5 rely as to any factual matters which might reasonably be expected to be within the knowledge of any Security Party on a certificate signed by or on behalf of that Security Party; and

15.8.6 refrain from exercising any right, power, discretion or remedy unless and until instructed to exercise that right, power, discretion or remedy and as to the manner of its exercise by the Lenders or the Majority Lenders (as the case may be) and unless and until the Agent has received from the Lenders any payment which the Agent may require on account of, or any security which the Agent may require for, any costs, claims, expenses (including legal and other professional fees) and liabilities which it considers it may incur or sustain in complying with those instructions.

15.9 **The Agent's duties** The Agent shall:

15.9.1 if requested in writing to do so by a Lender, make enquiry and advise the Lenders as to the performance or observance of any of the provisions of any Finance Document by any Security Party or as to the existence of an Event of Default; and

15.9.2 inform the Lenders promptly of any Event of Default of which the Agent has actual knowledge.

15.10 **No deemed knowledge** The Agent shall not be deemed to have actual knowledge of the falsehood or incompleteness of any representation or warranty made or deemed repeated by any Security Party or actual knowledge of the occurrence of any Default unless a Lender or a Security Party shall have given written notice thereof to the Agent in its capacity as the Agent. Any information acquired by the Agent other than specifically in its capacity as the Agent shall not be deemed to be information acquired by the Agent in its capacity as the Agent.

15.11 **Other business** The Agent may, without any liability to account to the Lenders, generally engage in any kind of banking or trust business with a Security Party or with a Security Party's subsidiaries or associated companies or with a Lender as if it were not the Agent.

15.12 **Indemnity** The Lenders shall, promptly on the Agent's request, reimburse the Agent in their respective Proportionate Shares, for, and keep the Agent fully indemnified in respect of all liabilities, damages, costs and claims sustained or incurred by the Agent in connection with the Finance Documents, or the performance of its duties and obligations, or the exercise of its rights, powers, discretions or remedies under or pursuant to any Finance Document, to the extent not paid by the Security Parties and not arising solely from the Agent's gross negligence or wilful misconduct.

15.13 **Employment of agents** In performing its duties and exercising its rights, powers, discretions and remedies under or pursuant to the Finance Documents, the Agent shall be entitled to employ and pay agents to do anything which the Agent is empowered to do under or pursuant to the Finance Documents (including the receipt of money and documents and the payment of money) and to act or refrain from taking action in reliance on the opinion of, or advice or information obtained from, any lawyer, banker, broker, accountant, valuer or any other person believed by the Agent in good faith to be competent to give such opinion, advice or information.

15.14 **Distribution of payments** The Agent (which term shall not for the purposes of this Clause 15.14 include the Security Agent) shall pay promptly to the order of each Finance Party every sum of money received by the Agent pursuant to the Finance Documents for that Finance Party and until so paid such amount shall be held by the

Agent on trust absolutely for that Finance Party. If the Agent receives a sum of money which is insufficient to discharge all the amounts then due and payable to every Finance Party under any one or more of the Finance Documents, the Agent shall apply that sum in accordance with the order set out in Clauses 10.9.5 to 10.9.10 inclusive *(Application of moneys by Security Agent)* but as if references in those Clauses to the "**Finance Documents**" or to any "**Finance Document**" did not include the Master Agreement and as if the first Proviso to those Clauses were deleted.

15.15 **Reimbursement** The Agent shall have no liability to pay any sum to a Lender until it has itself received payment of that sum. If, however, the Agent does pay any sum to a Lender on account of any amount prospectively due to that Lender pursuant to Clause 15.14 *(Distribution of payments)* before it has itself received payment of that amount, that Lender will, on demand by the Agent, refund to the Agent an amount equal to the sum so paid, together with an amount sufficient to reimburse the Agent for any interest which the Agent may certify that it has been required to pay on money borrowed to fund the sum in question during the period beginning on the date of payment and ending on the date on which the Agent receives reimbursement.

15.16 **Redistribution of payments** Unless otherwise agreed between the Lenders and the Agent, if at any time a Lender receives or recovers by way of set-off, the exercise of any lien or otherwise from any Security Party, an amount greater than that Lender's Proportionate Share of any sum due from that Security Party to the Lenders under the Finance Documents (the amount of the excess being referred to in this Clause 15.16 and in Clause 15.17 *(Rescission of Excess Amount)* as the "**Excess Amount**"**)** then:

15.16.1 that Lender shall promptly notify the Agent (which shall promptly notify each other Lender);

15.16.2 that Lender shall pay to the Agent an amount equal to the Excess Amount within ten (10) days of its receipt or recovery of the Excess Amount; and

15.16.3 the Agent shall treat that payment as if it were a payment by the Security Party in question on account of the sum due from that Security Party to the Lenders and shall account to the Lenders in respect of the Excess Amount in accordance with the provisions of Clause 15.14 *(Distribution of payments).*

However, if a Lender has commenced any legal proceedings to recover sums owing to it under the Finance Documents and, as a result of, or in connection with, those proceedings has received an Excess Amount, the Agent shall not distribute any of that Excess Amount to any other Lender which had been notified of the proceedings and had the legal right to, but did not, join those proceedings or commence and diligently prosecute separate proceedings to enforce its rights in the same or another court.

15.17 **Rescission of Excess Amount** If all or any part of any Excess Amount is rescinded or must otherwise be restored to any Security Party or to any other third party, the Lenders which have received any part of that Excess Amount by way of distribution from the Agent pursuant to Clause 15.16 *(Redistribution of payments)* shall repay to the Agent for the account of the Lender which originally received or recovered the Excess Amount, the amount which shall be necessary to ensure that the Lenders share rateably in accordance with their Proportionate Shares in the amount of the receipt or payment retained, together with interest on that amount at a rate equivalent to that (if any) paid by the Lender receiving or recovering the Excess Amount to the person to whom that Lender is liable to make payment in respect of such amount, and Clause 15.16.3 *(Redistribution of payments)* shall apply only to the retained amount.

15.18 **Instructions** Where the Agent is authorised or directed to act or refrain from acting in accordance with the instructions of the Lenders or of the Majority Lenders (as the case may be) each of the Lenders shall provide the Agent with instructions within three (3) Business Days of the Agent's request (which request may be made orally or in writing). If a Lender does not provide the Agent with instructions within that period, that Lender shall be bound by the decision of the Agent. Nothing in this Clause 15.18 shall limit the right of the Agent to take, or refrain from taking, any action without obtaining the instructions of the Lenders or the Majority Lenders (as the case may be) if the Agent in its discretion considers it necessary or appropriate to take, or refrain from taking, such action in order to preserve the rights of the Lenders under or in connection with the Finance Documents. In that event, the Agent will notify the Lenders of the action taken by it as soon as reasonably practicable, and the Lenders agree to ratify any action taken by the Agent pursuant to this Clause 15.18.

15.19 **Payments** All amounts payable to a Lender under this Clause 15 shall be paid to such account at such bank as that Lender may from time to time direct in writing to the Agent.

15.20 "**Know your customer**" **checks** 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.

15.21 **Resignation** Subject to a successor being appointed in accordance with this Clause 15.21, the Agent may resign as agent and/or security agent at any time without assigning any reason by giving to the Borrowers and the Lenders notice of its intention to do so, in which event the following shall apply:

15.21.1 the Lenders may within thirty (30) days after the date of the Agent's notice appoint a successor to act as agent and/or security agent or, if they fail to do so, the Agent may appoint any other bank or financial institution as its successor;

15.21.2 the resignation of the Agent shall take effect simultaneously with the appointment of its successor on written notice of that appointment being given to the Borrowers and the Lenders;

15.21.3 the Agent shall thereupon be discharged from all further obligations as agent and/or security agent but shall remain entitled to the benefit of the provisions of this Clause 15; and

15.21.4 the Agent's successor and each of the other parties to this Agreement shall have the same rights and obligations amongst themselves as they would have had if that successor had been a party to this Agreement.

15.22 **No fiduciary relationship** Except as provided in Clauses 15.3 *(Trust)* and 15.14 *(Distribution of payments)*, the Agent shall not have any fiduciary relationship with or be deemed to be a trustee of or for any other person and nothing contained in any Finance Document shall constitute a partnership between any two or more Lenders or between the Agent and any other person.

## 16 Set-Off

16.1 **Set-off** A Finance Party may set off any matured obligation due from the Borrowers under any Finance Document (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to any Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, that 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.

16.2 **Master Agreement rights** The rights conferred on the Swap Provider by this Clause 16 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.

## 17 Payments

17.1 **Payments** Each amount payable by a Borrower under a Finance Document (other than the Master Agreement) shall be paid to such account at such bank as the Agent may from time to time direct to the Borrowers in the Currency of Account and in such funds as are customary at the time for settlement of transactions in the relevant currency in the place of payment. Payment shall be deemed to have been received by the Agent on the date on which the Agent receives authenticated advice of receipt, unless that advice is received by the Agent on a day other than a Business Day or at a time of day (whether on a Business Day or not) when the Agent in its discretion considers that it is impossible or impracticable for the Agent to utilise the amount received for value that same day, in which event the payment in question shall be deemed to have been received by the Agent on the Business Day next following the date of receipt of advice by the Agent.

17.2 **No deductions or withholdings** Each payment (whether of principal or interest or otherwise) to be made by a Borrower under a Finance Document (other than the Master Agreement) shall, subject only to Clause 17.3 *(Grossing-up)*, be made free and clear of and without deduction for or on account of any Taxes or other deductions, withholdings, restrictions, conditions or counterclaims of any nature.

17.3 **Grossing-up** If at any time any law requires (or is interpreted to require) a Borrower to make any deduction or withholding from any payment, or to change the rate or

manner in which any required deduction or withholding is made, under a Finance Document (other than the Master Agreement), the Borrowers will promptly notify the Agent and, simultaneously with that payment, will pay to the Agent whatever additional amount (after taking into account any additional Taxes on, or deductions or withholdings from, or restrictions or conditions on, that additional amount) is necessary to ensure that, after the deduction or withholding, the relevant Finance Parties receive a net sum equal to the sum which they would have received had no deduction or withholding been made.

17.4 **Evidence of deductions** If at any time a Borrower is required by law to make any deduction or withholding from any payment to be made by it under a Finance Document (other than the Master Agreement), that Borrower will pay the amount required to be deducted or withheld to the relevant authority within the time allowed under the applicable law and will, no later than thirty (30) days after making that payment, deliver to the Agent an original receipt issued by the relevant authority, or other evidence acceptable to the Agent, evidencing the payment to that authority of all amounts required to be deducted or withheld.

17.5 **Adjustment of due dates** If any payment or transfer of funds to be made under a Finance Document, other than a payment of interest on the Loan or a payment under the Master Agreement, shall be due on a day which is not a Business Day, that payment shall be made on the next succeeding Business Day (unless the next succeeding Business Day falls in the next calendar month in which event the payment shall be made on the next preceding Business Day). Any such variation of time shall be taken into account in computing any interest in respect of that payment.

17.6 **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 17.6 and those entries will, in the absence of manifest error, be conclusive and binding.

17.7 **Clawback** The Agent shall have no liability to pay any sum to the Borrowers until it has itself received payment of that sum. If, however, the Agent does pay any sum to the Borrowers on account of any amount prospectively due to the Borrowers pursuant

to Clause 4 *(Advance)* before it has itself received payment of that amount, the Borrowers will, on demand by the Agent, refund to the Agent an amount equal to the sum so paid, together with an amount sufficient to reimburse the Agent for any interest which the Agent may certify that it has been required to pay on money borrowed to fund the sum in question during the period beginning on the date of payment and ending on the date on which the Agent receives reimbursement.

**18 Notices**

18.1 **Communications in writing** Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or letter (except for any notification given by the Agent to The Export-Import Bank of China under Clause 4.2 which shall be given by authenticated swift message).

18.2 **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 to this Agreement for any communication or document to be made or delivered under or in connection with this Agreement are:

18.2.1 in the case of the Borrowers, at do Diana Shipping Services S.A., Pendelis 16, 175 64 Palaio Faliro, Athens, Greece (fax no: +30 210 9470101) marked for the attention of Mr Andreas Michalopoulos;

18.2.2 in the case of each Lender, those appearing opposite its name in Schedule 1, Part I *(The Lenders and the Commitments);*

18.2.3 in the case of each Arranger, those appearing opposite its name in Schedule 1, Part II *(the Arrangers);*

18.2.4 in the case of the Agent, 20 St. Dunstan's Hill, London EC3R 8HY, England (fax no: +44 207 283 5935) marked for the attention of Credit Middle Office & Agency;

18.2.5 in the case of the Swap Provider, 20 St. Dunstan's Hill, London EC3R 8HY, England (fax no: +44 207 283 5935) marked for the attention of Shipping, Offshore & Logistics; and

18.2.6 in the case of the Security Agent, 20 St. Dunstan's Hill, London EC3R 8HY, England (fax no: +44 207 283 5935) marked for the attention of Credit Middle Office & Agency;

or any substitute address, fax number, department or officer as any 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 (5) Business Days' notice.

18.3 **Delivery** Any communication or document made or delivered by one party to this Agreement to another under or in connection with this Agreement will only be effective:

18.3.1 if by way of fax, when received in legible form; or

18.3.2 if by way of letter, when it has been left at the relevant address or five (5) 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 18.2 *(Addresses)*, if addressed to that department or officer.

Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent.

All notices from or to the Borrowers shall be sent through the Agent.

Any communication or document which becomes effective, in accordance with this Clause 18.3, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

18.4 **Notification of address and fax number** Promptly upon receipt of notification of an address, fax number or change of address, pursuant to Clause 18.2 *(Addresses)* or changing its own address or fax number, the Agent shall notify the other parties to this Agreement.

18.5 **English language** Any notice given under or in connection with this Agreement must be in English. All other documents provided under or in connection with this Agreement must be:

18.5.1 in English; or

18.5.2 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.

**19 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.

**20 Remedies and Waivers**

No failure to exercise, nor any delay in exercising, on the part of any Finance 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 of the Finance Documents. No election to affirm any of the Finance Documents on the part of any Finance 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 this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

**21 Joint and several liability**

21.1 **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:

21.1.1 any forbearance (whether as to payment or otherwise) or any time or other indulgence granted to any other Borrower or any other Security Party under or in connection with any Finance Document;

21.1.2 any amendment, variation, novation or replacement of any other Finance Document;

21.1.3 any failure of any Finance Document to be legal valid binding and enforceable in relation to any other Borrower or any other Security Party for any reason;

21.1.4 the winding-up or dissolution of any other Borrower or any other Security Party;

21.1.5 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 Security Party; or

21.1.6 any other act, omission, thing or circumstance which would or might, but for this provision, operate to discharge, impair or otherwise affect such liability.

21.2 **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 Security Party:

21.2.1 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

21.2.2 exercise any right of contribution from any other Borrower or any other Security Party under any Finance Document; or

21.2.3 exercise any right of set-off or counterclaim against any other Borrower or any other Security Party; or

21.2.4 receive, claim or have the benefit of any payment, distribution, security or indemnity from any other Borrower or any other Security Party; or

21.2.5 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 Security Party 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.

## 22 Miscellaneous

22.1 **No oral variations** No variation or amendment of a Finance Document shall be valid unless in writing and signed on behalf of all the Finance Parties.

22.2 **Further assurance** If any provision of a Finance Document shall be invalid or unenforceable in whole or in part by reason of any present or future law or any decision of any court, or if the documents at any time held by or on behalf of the Finance Parties or any of them are considered by the Lenders for any reason insufficient to carry out the terms of this Agreement, then from time to time the Borrowers will promptly, on demand by the Agent, execute or procure the execution of such further documents as in the opinion of the Lenders are necessary to provide adequate security for the repayment of the Indebtedness.

22.3 **Rescission of payments etc.** Any discharge, release or reassignment by a Finance Party of any of the security constituted by, or any of the obligations of a Security Party contained in, a Finance Document shall be (and be deemed always to have been) void if any act (including, without limitation, any payment) as a result of which such discharge, release or reassignment was given or made is subsequently wholly or partially rescinded or avoided by operation of any law.

22.4 **Certificates** Any certificate or statement signed by an authorised signatory of the Agent purporting to show the amount of the Indebtedness (or any part of the Indebtedness) or any other amount referred to in any Finance Document shall, save for manifest error or on any question of law, be conclusive evidence as against the Borrowers of that amount.

22.5 **Counterparts** This Agreement may be executed in any number of counterparts each of which shall be original but which shall together constitute the same instrument.

22.6 **Contracts (Rights of Third Parties) Act 1999** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

22.7 **Disclosure** Each Borrower irrevocably authorises, and shall procure that each of the other Security Parties authorises, each Finance Party to disclose from time to time any information relating to the Security Parties, the Loan, the Commitments, the Earnings Accounts, the Relevant Documents and the Vessels to (a) any private, public or internationally recognised authorities, (b) any Finance Party's head office, branches, affiliates and professional advisors, (c) any other parties to the Finance Documents, (d) rating agencies or their professional advisors, (e) any person with whom any Finance Party proposes entering into, or has entered into, contractual relations in connection with the Loan or any Commitment.

**23 Law and Jurisdiction**

23.1 **Governing law** This Agreement and any non-contractual obligations arising from or in connection with it shall in all respects be governed by and interpreted in accordance with English law.

23.2 **Jurisdiction** For the exclusive benefit of the Finance Parties, the parties to this Agreement irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any dispute (a) arising from or in connection with this Agreement or (b) relating to any non-contractual obligations arising from or in connection with this Agreement and that any proceedings may be brought in those courts.

23.3 **Alternative jurisdictions** Nothing contained in this Clause 23 shall limit the right of the Finance Parties to commence any proceedings against the Borrowers in any other court of competent jurisdiction nor shall the commencement of any proceedings against the Borrowers in one or more jurisdictions preclude the commencement of any proceedings in any other jurisdiction, whether concurrently or not.

23.4 **Waiver of objections** Each Borrower irrevocably waives any objection which it may now or in the future have to the laying of the venue of any proceedings in any court referred to in this Clause 23, and any claim that those proceedings have been brought in an inconvenient or inappropriate forum, and irrevocably agrees that a

judgment in any proceedings commenced in any such court shall be conclusive and binding on it and may be enforced in the courts of any other jurisdiction.

23.5 **Service of process** Without prejudice to any other mode of service allowed under any relevant law, each Borrower:

23.5.1 irrevocably appoints Nicolaou & Co. Chartered Accounts, 25 Heath Drive Potters Bar. Herts, EN6 1 EN, London, England for the attention of Mr Antonis Nicolaou as its agent for service of process in relation to any proceedings before the English courts in connection with this Agreement; and

23.5.2 agrees that failure by a process agent to notify any Borrower of the process will not invalidate the proceedings concerned.

**SCHEDULE 1: The Lenders and the Arrangers**

**Part I: The Lenders and the Commitments**

| **The Lenders** | **The Commitments** |
|---|---|
| **The Export-Import Bank ofChina**<br>No.30, FuXingMenNei Street, XiCheng District<br>Beijing100031, The People's Republic ofChina<br>(fax no: +86 10 8357 8428/29)<br>marked for the attention of: Transport Finance Department | $24,000,000 |
| **DNB BANK ASA**<br>20 St. Dunstan's Hill,London EC3R 8HY, England<br>(fax no: +44 207 283 5935)<br>marked for the attention of: Shipping, Offshore & Logistics | $6,000,000 |

**Part II: The Arrangers**

**The Export-Import Bank of China**

No.30, FuXingMenNei Street, XiCheng District

Beijing100031, The People's Republic ofChina

(fax no: +86 10 8357 8428/29)

marked for the attention of: Transport Finance Department

**DNB BANK ASA**

20 St. Dunstan's Hill,London EC3R 8HY, England
(fax no: +44 207 283 5935)
marked for the attention of: Shipping, Offshore & Logistics

**SCHEDULE 2: Conditions Precedent and Subsequent**

**Part I: Conditions precedent**

**1 Security Parties**

(a) **Constitutional Documents** Copies of the constitutional documents of each Security Party together with such other evidence as the Agent may reasonably require that each Security Party 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 Security Party (if such a certificate can be obtained).

(c) **Board resolutions** A copy of a resolution of the board of directors of each Security Party:

(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 despatched under those documents) on its behalf.

(d) **Specimen signatures** A specimen of the signature of each person authorised by the resolutions referred to in paragraph (c) above.

(e) **Shareholder resolutions** A copy of a resolution signed by all the holders of the issued shares in each Security Party (other than the Guarantor), approving the terms of, and the transactions contemplated by, the Relevant Documents to which that Security Party is a party.

(f) **Officer's certificates** A certificate of a duly authorised officer of each Security Party 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 and setting out the names of the directors, officers and shareholders of that Security Party and the proportion of shares held by each shareholder.

(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 Security Party are duly registered in the companies registry or other registry in the country of incorporation of that Security Party.

(h) **Powers of attorney** The notarially attested and legalised power of attorney of each Security Party under which any documents are to be executed or transactions undertaken by that Security Party.

**2 Security and related documents**

(a) **Vessel documents**

(A) Photocopies, certified as true, accurate and complete by a director or the secretary of the Borrower, of:

(i) the Building Contract;

(ii) such documents as the Agent may reasonably require to evidence the nomination of or novation in favour of (as the case may be) the Borrower as purchaser of the Vessel pursuant to the Building Contract;

(iii) the builder's certificate and/or bill of sale transferring title in the Vessel to the relevant Borrower free of all encumbrances, maritime liens or other debts;

(iv) the protocol of delivery and acceptance evidencing the unconditional physical delivery of the Vessel by the Builder to the Borrower pursuant to the Building Contract;

(v) the commercial invoice issued by the Builder in respect of the final contract price of the Vessel;

(vi) the declaration of warranty issued by the Builder to the Borrower pursuant to the Building Contract;

(vii) any charterparty or other contract of employment of the Vessel which will be in force on the Drawdown Date including, without limitation, the Charter;

(viii) the Management Agreement;

(ix)) the Vessel's current Safety Construction, Safety Equipment, Safety Radio, Oil Pollution Prevention and Load Line Certificates;

(x) evidence of the Vessel's current Certificate of Financial Responsibility issued pursuant to the United States Oil Pollution Act 1990;

(xi) the Vessel's current SMC;

(xii) the ISM Company's current DOC;

(xiii) the Vessel's current ISSC;

(xiv) the Vessel's current IAPPC;

(xv) the Vessel's current Tonnage Certificate;

in each case together with all addenda, amendments or supplements.

(b) **Evidence of Borrower's title** Evidence that any prior registration of the Vessel in the ownership of the Builder and any Encumbrance registered against that ownership have been cancelled (or confirmation from the Builder that there was no such prior registration) and evidence that on the Delivery Date (i) the Vessel will be at least provisionally registered under an Approved Flag in the ownership of the Borrower and (ii) the Mortgage will be capable of being registered against the 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 Certificate of Confirmation of Class for hull and machinery confirming that the Vessel is classed with the highest class applicable to vessels of her type with Lloyd's Register and on a dual basis with China Classification Society or such other classification society as may be acceptable to the Agent free of material overdue recommendations or adverse notations, in case case affecting class.

(e) **Valuations** Two valuations of the Vessel from Approved Brokers acceptable to the Agent addressed to the Agent to be issued in accordance with the requirements of Clause 10.12.2 *(Fair Market Value determination)* certifying the Fair Market Value of the Vessel in order for the Lenders to assess compliance with Clause 10.11 *(Additional Security)* and determine the Maximum Tranche Amount.

(h) **Security Documents** The Mortgage, the Assignment and the Managers' Undertaking in respect of the Vessel, the Guarantee, the Account Charges, the Negative Share Pledges 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.

(h) **Mandates** Such duly signed forms of mandate, and/or other evidence of the opening of the Earnings Accounts, as the Security Agent may require.

(i) **No disputes** The written confirmation of the Borrower that there is no dispute under any of the Relevant Documents as between the parties to any such document.

(j) **Equity contribution** Evidence of full payment to the Builder of any part of the Contract Price of the Vessel under the relevant Building Contract which is payable on or before the relevant Drawdown Date and which is not being financed by the Loan.

(k) **Cash balance** Evidence satisfactory to the Agent that the Borrowers are in compliance with the financial covenant of Clause 12.2.1.

(l) **Other Relevant Documents** Copies of each of the Relevant Documents, including the Shareholder Letter, not otherwise comprised in the documents listed in this Part I of Schedule 2.

(k) **Evidence of Permitted Encumbrance** Evidence, in form and substance acceptable to the Agent in its discretion, of any Permitted Encumbrance which is outstanding on the Drawdown Date.

**3. Legal opinions**

(a) If a Security Party is incorporated in a jurisdiction other than England and Wales or if any Finance Document is governed by the laws of a jurisdiction other than

England and Wales, a legal opinion of the legal advisers to the Agent in each relevant jurisdiction, substantially in the form or forms provided to the Agent prior to signing this Agreement or confirmation satisfactory to the Agent that such an opinion will be given.

**4 Other documents and evidence**

(a) **Drawdown Notice** A duly completed Drawdown Notice.

(b) **Process agent** Evidence that any process agent referred to in Clause 23.5 (*Service of process*) and any process agent appointed under any other Finance Document has accepted its appointment.

(c) **Other authorizations** A copy of any other consent, licence, approval, 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 of the Relevant Documents or for the validity and enforceability of any of the Relevant Documents.

(d) **Financial statements** Copies of the Original Financial Statements of each Borrower and the Guarantor.

(e) **Fees** Evidence that the fees, costs and expenses then due from the Borrowers under Clause 8 *(Indemnities)* and Clause 9 *(Fees)* have been paid or will be paid by the relevant Drawdown Date.

(f) "**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, including (without limitation) documentation in relation to the Borrowers, the Guarantor's signatories to the Finance Documents, directors and the Shareholder.

(g) **Tax assurance** Evidence satisfactory to the Agent that any withholding tax will be paid or that any required application to the tax authorities has been sent or will be sent by the Borrowers.

**Part II: 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 Approved 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. **Master's receipt** If applicable, the master's receipt for the Mortgage.

**SCHEDULE 3: Calculation of Mandatory Cost**

1 The Mandatory Cost is an addition to the interest rate to compensate the Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Conduct Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2 On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the "**Additional Cost Rate**") for each Lender in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the Loan) and will be expressed as a percentage rate per annum.

3. The Additional Cost Rate for any Lender lending from an office in the euro-zone will be the percentage notified by that Lender to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in the Loan) of complying with the minimum reserve requirements of the European Central Bank as a result of participating in the Loan from that office.

4. The Additional Cost Rate for any Lender lending from an office in theUnited Kingdom will be calculated by the Agent as follows: **0**

(a) where the Loan is denominated in sterling:

$$\frac{BY + S(Y - Z) + F \times 0.01}{100 - (B + S)} \text{ per cent per annum}$$

(b) where the Loan is denominated in any currency other than sterling:

$$\frac{F \times 0.01}{300} \text{ per cent per annum}$$

where:

B is the percentage of eligible liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements;

Y is the percentage rate of interest (excluding the Margin and the Mandatory Cost and, if the Loan is an overdue amount, the additional rate of interest specified in Clause 7.7 (Default interest)) payable for the relevant Interest Period on the Loan;

S is the percentage (if any) of eligible liabilities which that Lender is required from time to time to maintain as interest bearing special deposits with the Bank of England;

Z is the interest rate per annum payable by the Bank of England to that Lender on special deposits; and

F is the charge payable by that Lender to the Financial Services Authority under paragraph 2.02 or 2.03 (as appropriate) of the Fees Regulations or the equivalent provisions in any replacement regulations (with, for this purpose, the figure for the minimum amount in paragraph 2.02b or such equivalent provision deemed to be zero), expressed in pounds per £1 million of the fee base of that Lender.

5 For the purpose of this Schedule:

(a) "**eligible liabilities**" and "**special deposits**" have the meanings given to them at the time of application of the formula by the Bank of England;

(b) "**fee base**" has the meaning given to it in the Fees Regulations;

(c) "**Fees Regulations**" means the regulations governing periodic fees contained in the Financial Services Authority Fees Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits.

6 In the application of the formula B, Y, S and Z are included in the formula as figures and not as percentages, e.g. if B = 0.5% and Y = 15%, BY is calculated as 0.5. x 15. Each rate calculated in accordance with the formula is, if necessary, rounded upward to four decimal places.

7 If a Lender does not supply the information required by the Agent to determine its Additional Cost Rate when requested to do so, the applicable Mandatory Cost shall be determined on the basis of the information supplied by the remaining Lenders.

8 If a change in circumstances has rendered, or will render, the formula inappropriate, the Agent shall notify the Borrowers of the manner in which the Mandatory Cost will subsequently be calculated. The manner of calculation so notified by the Agent shall, in the absence of manifest error, be binding on the Borrowers.

**SCHEDULE 4: Form of Drawdown Notice**

To: **DNB BANK ASA**

From: **Erikub Shipping Company Inc.**
**Wotho Shipping Company Inc.**

[ ] 20[ ]

Dear Sirs

**Drawdown Notice**

We refer to the Loan Agreement dated 2013 made between, amongst others, ourselves and yourselves (the "**Agreement**"**).**

Words and phrases defined in the Agreement have the same meaning when used in this Drawdown Notice.

Pursuant to Clause 4.1 of the Agreement, we irrevocably request that you advance Tranche [A]/[B] in the sum of [ ] to us on 20 , which is a Business Day, by paying the amount of that Tranche in accordance with the terms of the relevant Building Contract for hull no. [H2528]/[H2529].

We warrant that the representations and warranties contained in Clause 11.1 of the Agreement are true and correct at the date of this Drawdown Notice and will be true and correct on 20 ,that no Default has occurred and is continuing, and that no Default will result from the advance of the Tranche requested in this Drawdown Notice.

We select the period of [ ] months as the first Interest Period.

Yours faithfully

……..

For and on behalf of

**Erikub Shipping Company Inc.**
**Wotho Shipping Company Inc.**

**SCHEDULE 5: Form of Transfer Certificate**

**To: DNB BANK ASA**

**TRANSFER CERTIFICATE**

This transfer certificate relates to a secured loan facility agreement (as from time to time amended, varied, supplemented or novated the "**Loan Agreement**") dated 2013, on the terms and subject to the conditions of which a secured loan facility of up to $30,000,000 was made available to Erikub Shipping Company Inc. and Wotho Shipping Company Inc. on a joint and several basis by a syndicate of banks on whose behalf you act as agent, bookrunner and security agent.

1 Terms defined in the Loan Agreement shall, unless otherwise expressly indicated, have the same meaning when used in this certificate. The terms "**Transferor**" and "**Transferee**" are defined in the schedule to this certificate.

2 The Transferor:

2.1 confirms that the details in the Schedule under the heading "**Transferor's Commitment**" accurately summarise its Commitment; and

2.2 requests the Transferee to accept by way of novation the transfer to the Transferee of the amount of the Transferor's Commitment specified in the Schedule by counter-signing and delivering this certificate to the Agent at its address for communications specified in the Loan Agreement.

3 The Transferee requests the Agent to accept this certificate as being delivered to the Agent pursuant to and for the purposes of clause 14.4 of the Loan Agreement so as to take effect in accordance with the terms of that clause on the Transfer Date specified in the Schedule.

4 The Agent confirms its acceptance of this certificate for the purposes of clause 14.4 of the Loan Agreement.

5. The Transferee confirms that:

5.1 it has received a copy of the Loan Agreement together with all other information which it has required in connection with this transaction;

5.2 it has not relied and will not in the future rely on the Transferor or any other party to the Loan Agreement to check or enquire on its behalf into the legality, validity, effectiveness, adequacy, accuracy or completeness of any such information; and

5.3 it has not relied and will not in the future rely on the Transferor or any other party to the Loan Agreement to keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of any Security Party.

6 Execution of this certificate by the Transferee constitutes its representation and warranty to the Transferor and to all other parties to the Loan Agreement that it has the power to become a party to the Loan Agreement as a Lender on the terms of the Loan Agreement and has taken all steps to authorise execution and delivery of this certificate.

7 The Transferee undertakes with the Transferor and each of the other parties to the Loan Agreement that it will perform in accordance with their terms all those obligations which by the terms of the Loan Agreement will be assumed by it after delivery of this certificate to the Agent and the satisfaction of any conditions subject to which this certificate is expressed to take effect.

8 The Transferor makes no representation or warranty and assumes no responsibility with respect to the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any document relating to any Finance Document, and assumes no responsibility for the financial condition of any Finance Party or for the performance and observance by any Security Party of any of its obligations under any Finance Document or any document relating to any Finance Document and any conditions and warranties implied by law are expressly excluded.

9 The Transferee acknowledges that nothing in this certificate or in the Loan Agreement shall oblige the Transferor to:

9.1 accept a re-transfer from the Transferee of the whole or any part of the rights, benefits and/or obligations transferred pursuant to this certificate; or

9.2 support any losses directly or indirectly sustained or incurred by the Transferee for any reason including, without limitation, the non-performance by any party to any Finance Document of any obligations under any Finance Document.

10 The address and fax number of the Transferee for the purposes of clause 18 of the Loan Agreement are set out in the Schedule.

11 This certificate may be executed in any number of counterparts each of which shall be original but which shall together constitute the same instrument.

12 This certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and interpreted in accordance with English law.

C

**THE SCHEDULE**

1 ***Transferor:***

2 ***Transferee:***

3 ***Transfer Date*** (not earlier than the fifth Business Day after the date of delivery of the Transfer Certificate to the Agent):

4 ***Transferor's Commitment:***.

5 ***Amount transferred:***

6 ***Transferee's address and fax number for the purposes of clause 18 of the Loan Agreement:***

| | |
|---|---|
| ***[name of Transferor]*** | ***[name of Transferee]*** |
| By: | By: |
| Date: Date: | |

**DNB BANK ASA** as Agent

By:

Date:

**SCHEDULE 6: Form of Compliance Certificate**

To: **DNB BANK ASA**

From: **DIANA SHIPPING INC.**

Dated:

Dear Sirs

**Erikub Shipping Company Inc. and Wotho Shipping Company Inc - Loan Agreement dated [ ] 2013 (the "Agreement")**

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.

We confirm that:

We maintain Cash of not less than five hundred thousand Dollars ($500,000) for each Fleet Vessel;

Each Borrower maintains in the relevant Earnings Account a credit balance of not less than two hundred thousand Dollars ($200,000);

The Adjusted Net Worth is equal to [one hundred and fifty million Dollars ($150,000,000)]; and

The Adjusted Net Worth is equal to [twenty five] per cent ([25%]) of the Total Assets.

We also confirm that the Borrowers are in compliance with Clause 10.11 *(Additional Security)* [and that no Default is continuing.]

Signed:……

Chief Financial Officer

Of

**DIANA SHIPPING INC.**

**IN WITNESS** of which the parties to this Agreement have executed this Agreement the day and year first before written.

**SIGNED** by ANDREAS MICHALOPOULOS )
as duly authorized attorney-in-fact )
for and on behalf of ) /s/ ANDREAS MICHALOPOULOS
**ERIKUB SHIPPING COMPANY INC.** )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**SIGNED** by ANDREAS MICHALOPOULOS )
as duly authorized attorney-in-fact )
for and on behalf of ) /s/ ANDREAS MICHALOPOULOS
**WOTHO SHIPPING COMPANY INC.** )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**SIGNED** by DAVID CHRISTOPHER ROLLS )
as duly authorized attorney-in-fact )
for and on behalf of ) /s/ DAVID CHRISTOPHER ROLLS
**DNB BANK ASA** (as Lender) )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**SIGNED** by Li Zhongyuan )
as duly authorized signatory )
for and on behalf of ) /s/ LI ZHONGYUAN
**THE EXPORT-IMPORT BANK OF CHINA** (as Lender) )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**SIGNED** by DAVID CHRISTOPHER ROLLS )
as duly authorized attorney-in-fact )
for and on behalf of ) /s/ DAVID CHRISTOPHER ROLLS
**DNB BANK ASA** (as an Arranger) )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**SIGNED** by Li Zhongyuan )
as duly authorized signatory )
for and on behalf of ) /s/ LI ZHONGYUAN
**THE EXPORT-IMPORT BANK OF CHINA** (as an Arranger) )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**SIGNED** by DAVID CHRISTOPHER ROLLS )
as duly authorized attorney-in-fact )
for and on behalf of ) /s/ DAVID CHRISTOPHER ROLLS
**DNB BANK ASA** (as the Agent) )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**SIGNED** by DAVID CHRISTOPHER ROLLS )
as duly authorized attorney-in-fact )
for and on behalf of ) /s/ DAVID CHRISTOPHER ROLLS
**DNB BANK ASA** (as the Swap Provider) )
in the presence of: )

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

| | | |
|---|---|---|
| **SIGNED** by DAVID CHRISTOPHER ROLLS | ) | |
| as duly authorized attorney-in-fact | ) | |
| for and on behalf of | ) | /s/ DAVID CHRISTOPHER ROLLS |
| **DNB BANK ASA** (as the Security Agent) | ) | |
| in the presence of: | ) | |

Witness signature: /s/ Antonelle Kandis
Name: Antonelle Kandis
Address: STEPHENSON HARWOOD LLP
ARISTON BUILDING
2 FILELLINON STR. & AKTI MIAOULI
PIRAEUS 18536
VAT. NO. 998711156
TEL. 210 4295 160

**Exhibit 4.19**

**Dated 9 January 2014**

**TAKA SHIPPING COMPANY INC.** and
**FAYO SHIPPING COMPANY INC.**
as joint and several Borrowers

- and -

**COMMONWEALTH BANK OF AUSTRALIA**
as Lender

# LOAN AGREEMENT

relating to a loan facility of up to US$18,000,000 to finance
part of the acquisition cost of two dry bulk carriers "MELITE" and "ARTEMIS"

**Index**

**THIS AGREEMENT** is made on 9 January 2014 **BETWEEN**

(1) **TAKA SHIPPING COMPANY INC.,** and **FAYO SHIPPING COMPANY INC.,** each a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, MH96960, Majuro, Marshall Islands (together, the "**Borrowers**"**);** and

(2) **COMMONWEALTH BANK OF AUSTRALIA** acting through its office at Senator House, 85 Queen Victoria Street, London EC4V 4HA, United Kingdom (the "**Lender**"**).**

**BACKGROUND**

(A) The Lender has agreed to make available to the Borrowers a term loan facility on a joint and several basis of up to $18,000,000 in two Tranches as follows:

(i) for the purpose of financing part of the acquisition cost of Ship A, the lesser of (1) US$8,500,000 and (2) 50% of the Initial Market Value of Ship A; and

(ii) for the purpose of financing part of the acquisition cost of Ship B, the lesser of (1) US$9,500,000 and (2) 50% of the Initial Market Value of Ship B.

(B) The Lender has agreed to enter into interest rate swap transactions with the Borrowers from time to time to hedge the Borrowers' exposure under this Agreement to interest rate fluctuations.

(C)

**IT IS AGREED** as follows:

**1 INTERPRETATION**

**1.1 Definitions**

Subject to Clause 1.5, in this Agreement:

"**Account Pledge**" means, in relation to each Earnings Account, a deed creating security in respect of that Earnings Account in the Agreed Form and, in the plural, means both of them;

"**Agreed Form**" means in relation to any document, that document in the form approved in writing by the Lender or as otherwise approved in accordance with any other approval procedure specified in any relevant provision of any Finance Document;

"**Approved Broker**" means Arrow Sale & Purchase (UK) Limited, Braemar Seascope Limited, H. Clarkson & Company Limited, Simpson Spence & Young (London) Ltd. or any other any reputable sale and purchase broker approved by the Agent;

"**Approved Flag**" means the flag of the Republic of the Marshall Islands or any other flag the Lender may, in its sole and absolute discretion, approve as the flag on which a Ship may be registered;

"**Approved Flag State**" means the Republic of the Marshall Islands or any other country in which the Lender may, in its sole and absolute discretion, approve as the flag on which a Ship may be registered;

"**Approved Manager**" means, in relation to each Ship, Diana Shipping Services S.A., a company incorporated and existing under the laws of Panama having its registered office at

Edificlo Universal, Piso 12, Avenida Federico Boyd, Panama, Republic of Panama and maintaining an office at 16 Pendelis Street, 175 64, Palaio Faliro, Greeceor or any other company which the Lender may approve from time to time as the technical and/or commercial manager of that Ship;

"**Approved Manager's Undertaking**" means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Lender, agreeing certain matters in relation to the Approved Manager and subordinating its rights against that Ship and the Borrower owning that Ship to the rights of the Lender under the Finance Documents, in the Agreed Form;

"**Availability Period**" means the period commencing on the date of this Agreement and ending on:

(a) the date falling 3 months after the date of this Agreement (or such later date as the Lender may agree with the Borrowers); or

(b) if earlier, the date on which the Lender's obligations to advance a Tranche is cancelled or terminated;

"**Borrower A**" means Taka Shipping Company Inc., a corporation incorporated and existing under the laws of the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands;

"**Borrower B**" means Fayo Shipping Company Inc., a corporation incorporated and existing under the laws of the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands;

"**Borrowers**" means, together Borrower A and Borrower B, and, in the singular, means either of them;

"**Business Day**" means a day on which banks are open in London, Athens, and Sydney and in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

"**Charter**" means, in relation to a Ship, any time charter which exceeds, or which by any optional extensions may exceed, 2 years or any bareboat charter in respect of that Ship;

"**Charterparty Assignment**" means, in relation to a Charter, an assignment of the rights of the Borrower who is a party to that Charter executed or to be executed by that Borrower in favour of the Lender in the Agreed Form;

"**Commitment**" means $18,000,000 as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"**Confirmation**" and "**Early Termination Date**" in relation to any continuing Transaction, have the meanings given in each Master Agreement;

"**Contractual Currency**" has the meaning given in Clause 20.4;

"**Defaulting Party**" has the meaning given in each Master Agreement;

"**Dollars**" and "$" means the lawful currency for the time being of the United States of America;

"**Drawdown Date**" means, in relation to a Tranche, the date requested by the Borrowers for the Tranche to be advanced, or (as the context requires) the date on which the Tranche is actually advanced;

"**Drawdown Notice**" means a notice in the form set out in Schedule 1 (or in any other form which the Lender approves or reasonably requires);

"**Earnings**" means, in relation to either Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower which is the owner of that Ship or the Lender and which arise out of the use or operation of that Ship, including (but not limited to):

(a) except to the extent that they fall within paragraph (b):

(i) all freight, hire and passage moneys;

(ii) compensation payable to the relevant Borrower or the Lender in the event of requisition of its Ship for hire;

(iii) remuneration for salvage and towage services;

(iv) demurrage and detention moneys;

(v) damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of that Ship; and

(vi) all moneys which are at any time payable under any Insurances in respect of loss of hire; and

(b) if and whenever that Ship is employed on terms whereby any moneys falling within paragraphs (a)(1) to (vi) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to that Ship;

"**Earnings Account**" means, in relation to either Ship, an account in the name of the Borrower which is the owner of that Ship with the Lender in London or any other account (with that or another office of the Lender or with a bank or financial institution other than the Lender) which is designated by the Lender as the Earnings Account in respect of that Ship for the purposes of this Agreement and, in the plural, means both of them;

"**Environmental Claim**" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind, 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; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"**Environmental Incident**" means, in relation to either Ship:

(a) any release of Environmentally Sensitive Material from that Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than that Ship and which involves a collision between that Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which that Ship is actually or potentially liable to be arrested,

attached, detained or injuncted and/or that Ship and/or the relevant Borrower and/or any operator or manager of that Ship 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 otherwise than from that Ship and in connection with which that Ship is actually or potentially liable to be arrested and/or where the relevant Borrower and/or any operator or manager of that Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"**Environmental Law**" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"**Environmentally Sensitive Material**" means oil, oil products 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;

"**Event of Default**" means any of the events or circumstances described in Clause 18.1;

"**Finance Documents**" means:

(a) this Agreement;

(b) the Master Agreements;

(c) the Guarantee;

(d) the Account Pledges;

(e) the Master Agreement Assignments;

(f) the Mortgages;

(g) the General Assignments;

(h) the Shares Security Deeds;

(i) any Charter Assignment;

(j) the Approved Manager's Undertakings; and

(k) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrowers (or either of them), the Guarantor, the Approved Manager or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lender under this Agreement or the Master Agreements or any of the other documents referred to in this definition,

and, in the singular, means any of them;

"**Financial Indebtedness**" means, in relation to a person (the "**debtor**"**),** a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility or dematerialised equivalent made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

"**Fleet Vessels**" means all of the vessels (including, but not limited to, the Ships) from time to time wholly owned by members of the Group (each a "**Fleet Vessel**"**);**

"**GAAP**" means the generally accepted accounting principles from time to time in effect in the United States of America;

"**General Assignment**" means, in relation to either Ship, a first priority general assignment given by the Borrower which is the owner of that Ship of the Earnings, the Insurances and any Requisition Compensation in respect of that Ship executed or to be executed by the relevant Borrower and the Lender in the Agreed Form;

"**Group**" means the Guarantor and all its subsidiaries (including, but not limited to, the Borrowers) from time to time during the Security Period and "**member of the Group**" shall be construed accordingly;

"**Guarantee**" means a guarantee of the Borrowers' obligations under this Agreement and the other Finance Documents to be executed by the Guarantor in the Agreed Form;

"**Guarantor**" means Diana Shipping Inc., a corporation incorporated and existing under the laws of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, MH96960, Majuro, Marshall Islands;

"**IACS**" means the International Association of Classification Societies;

"**Initial Market Value**" means, in relation to a Ship, the Market Value thereof determined in accordance with the valuation for that Ship to be provided to the Lender pursuant to paragraph 6, Part B of Schedule 2;

"**Insurances**" means, in relation to a Ship:

(a) all policies and contracts of insurance, including entries of the Ship in any protection and indemnity or war risks association, which are effected in respect of the Ship, its Earnings or otherwise in relation to it whether before, on or after the date of this Agreement; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium and any rights in respect of any claim whether or not the relevant policy, contract or insurance or entry has expired on or before the date of this Agreement;

"**Interest Period**" means a period determined in accordance with Clause 5;

"**ISM Code**" means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation, as the same may be amended, supplemented or superseded from time to time (and the terms "**safety management system**", "**Safety Management Certificate**" and "**Document of Compliance**" have the same meanings as are given to them in the ISM Code);

"**ISPS Code**" means the International Ship and Port Facility Security Code adopted by the International Maritime Organisation (as the same may be amended, supplemented or superseded from time to time);

"**ISSC**" means a valid and current International Ship Security Certificate issued under the 1SPS Code;

"**Lender**" means Commonwealth Bank of Australia, acting through its office at Senator House, 85 Queen Victoria Street, London EC4V 4HA, United Kingdom (or through another branch notified to the Borrowers under Clause 25.6) or its successor or assign;

"**LIBOR**" means, for an Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, that period which appears on REUTERS BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the Quotation Date for that period (and, for the purposes of this Agreement, "REUTERS BBA Page LIBOR 01" means the display designated as "Page 01" on the REUTERS Service or such other page as may replace Page 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars); or

(b) if no rate is quoted on REUTERS BBA Page LIBOR 01, the rate per annum determined by the Lender to be the arithmetic mean (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent.) of the rates at which deposits in Dollars are offered to the Lender by leading banks in the London Interbank Market at or about 11.00 a.m. (London time) on the Quotation Date for that period for a period equal to that period and for delivery on the first Business Day of it; or

(c) if any of the above rates is below zero, LIBOR shall be deemed to be zero;

"**Loan**" means the principal amount for the time being outstanding under this Agreement;

"**Major Casualty**" means, in relation to a Ship, any casualty to that Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds US$2,000,000 or the equivalent in any other currency;

"**Margin**" means 2.25 per cent. per annum;

"**Market Value**" means, in relation to a Ship at any time, the market value thereof determined in accordance with Clause 14.3;

"**Mandatory Cost**" means the percentage rate **(**if any), which represents the cost to the Lender relative to the Loan of compliance with (a) the requirements of the Bank of England and/or the Financial Conduct Authority and/or the Prudential Regulation Authority (or, in any case, any other governmental authority or agency which replaces all or any of their functions) or (b) the requirements of the European Central Bank (or any other governmental authority or agency which replaces all or any of its functions), as may be determined by the Lender from time to time and notified to the Borrowers;

"**Master Agreements**" means, together, the master agreements (on the 2002 ISDA (Multicurrency-Crossborder) form) in the Agreed Form made or to be made between (i) each Borrower and (ii) the Lender and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged under such master agreement and, in the singular, means either of them;

"**Master Agreement Assignments**" means, in respect of each Master Agreement, the assignment of each Borrowers' rights under such Master Agreement in the Agreed Form;

"**Maturity Date**" means:

(i) in relation to Tranche A, the earlier of the date falling on the sixth anniversary of the Drawdown Date relative thereto and 31 January 2020; and

(ii) in relation to Tranche B, the earlier of the date falling on the eighth anniversary of the Drawdown Date relative thereto and 31 January 2022;

"**Mortgage**" means, in relation to each Ship, the first preferred or, as the case may be, priority ship mortgage (and, if applicable, collateral deed of covenant) in respect of that Ship under the relevant Approved Flag to be executed by the relevant Borrower in favour of the Lender in the Agreed Form and, in the plural, means both of them;

"**Negotiation Period**" has the meaning given in Clause 4.6;

"**Palios Family**" means, together, each of the following:

(a) Mr. Simeon Palios;

(b) all the lineal descendants in direct line of Mr. Palios;

(c) a husband or wife or widower or widow of any of the above persons;

(d) the estates, trusts or legal representatives of which any of the above persons are the beneficiaries; and

(e) each company (other than a member of the Group) legally or beneficially owned or (as the case may be) controlled by one or more of the persons or entities which would fall within paragraphs (a) to (d) of this definition,

and each one of the above shall be referred to as "**a member of the Palios Family**"**;**

"**Payment Currency**" has the meaning given in Clause 20.4;

"**Permitted Security Interests**" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure

amounts more than 30 days overdue (unless the overdue amount is being contested by the Borrower owning such Ship in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 13.12(g);

(f) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where a Borrower is actively prosecuting or defending such proceedings or arbitration in good faith; and

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"**Pertinent Document**" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 12 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to the Lender in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"**Pertinent Jurisdiction**"**,** in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company has the centre of its main interests or in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a branch or a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company, whether as main or territorial or ancillary proceedings, or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c);

"**Pertinent Matter**" means:

(a) any transaction or matter contemplated by, arising out of, or connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a);

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"**Potential Event of Default**" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Lender and/or the satisfaction of any other condition, would constitute an Event of Default;

"**Quotation Date**" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period or other period;

"**Relevant Person**" has the meaning given in Clause 1S.7;

"**Repayment Date**" means a date on which a repayment is required to be made under Clause 7;

"**Repayment Instalment**" has the meaning given to it in Clause 7.1(a);

"**Requisition Compensation**" includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

"**Secured Liabilities**" means all liabilities which the Borrowers, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or any judgment relating to any Finance Document; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"**Security Interest**" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action *in rem;* and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"**Security Party**" means the Guarantor, the Approved Manager, any person (except the Lender) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "Finance Documents";

"**Security Period**" means the period commencing on the date of this Agreement and ending on the date on which:

(a) all amounts which have become due for payment by each of the Borrowers or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document; and

(c) no Borrower nor any Security Party has any future or contingent liability under Clause 19, 20 or 21 or any other provision of this Agreement or another Finance Document;

"**Shares Security Deed**" means, in relation to each Borrower, a deed creating security over the entire share capital of that Borrower in the Agreed Form and, in the plural, means both of them;

"**Ship A**" means the 2004-built dry bulk carrier of 76,436 deadweight currently registered in the ownership of Borrower A under an Approved Flag with the name "M ELITE";

"**Ship B**" means the 2006-built dry bulk carrier of 76,942 deadweight currently registered in the ownership of Borrower B under an Approved Flag with the name "ARTEMIS";

"**Ships**" means, together, Ship A and Ship B and, in the singular, means any of them;

"**SMC**" means, in relation to either Ship, a safety management certificate issued in respect of that Ship in accordance with the ISM Code;

"**Swap Exposure**" means, as at any relevant date, the amount certified by the Lender to be the aggregate net amount in Dollars which would be payable by the Borrowers to the Lender under (and calculated in accordance with) section 6(e)(i) (Payments on Early Termination) of each Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Transactions with the Borrowers being the Defaulting Party;

"**Total Loss**" means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of the Ship;

(b) any expropriation, confiscation, requisition or acquisition of that Ship, whether for full consideration, a consideration less than her proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension) unless it is within 1 month redelivered to the relevant Borrower's full control;

(c) any condemnation of that Ship by any tribunal or by any person or person claiming to be a tribunal; and

(d) any arrest, capture, seizure or detention of that Ship (including any hijacking or theft) unless she is within 1 month redelivered to the relevant Borrower's full control;

"**Total Loss Date**" means, in relation to any Ship:

(a) in the case of an actual loss of that Ship, the date on which it occurred or, if that is unknown, the date when that Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of that Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower owning such Ship with that Ship's insurers in which the insurers agree to treat that Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Lender that the event constituting the total loss occurred;

"**Tranches**" means, together, Tranche A and Tranche B and, in the singular, means either of them;

"**Tranche A**" means the amount which may be drawn by the Borrowers in accordance with Clause 2.1(a) for Ship A;

"**Tranche B**" means the amount which may be drawn by the Borrowers in accordance with Clause 2.1(b) for Ship B; and

"**Transaction**" has the meaning given in each Master Agreement.

**1.2 Construction of certain terms**

In this Agreement:

"**administration notice**" means a notice appointing an administrator, a notice of intended appointment and any other notice which is required by law (generally or in the case concerned) to be filed with the court or given to a person prior to, or in connection with, the appointment of an administrator;

"**approved**" means, for the purposes of Clause 12, approved in writing by the Lender;

"**asset**" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"**company**" includes any partnership, joint venture and unincorporated association;

"**consent**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"**contingent liability**" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"**document**" includes a deed; also a letter or fax;

"**excess risks**" means, in relation to a Ship, the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of the Ship in consequence of its insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"**expense**" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"**law**" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"**legal or administrative action**" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"**liability**" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"**months**" shall be construed in accordance with Clause 1.3;

"**obligatory insurances**" means, in relation to a Ship, all insurances effected, or which the Borrower owning such Ship is obliged to effect, under Clause 12 or any other provision of this Agreement or another Finance Document;

"**parent company**" has the meaning given in Clause 1.4;

"**person**" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"**policy**"**,** in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"**protection and indemnity risks**" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hulls) (1/11/95) or clause 8 of the Institute Time Clauses (Hulls) (1/10/83) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"**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 regulatory, self-regulatory or other authority or organisation;

"**subsidiary**" has the meaning given in Clause 1.4;

"**successor**" includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person's rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

"**tax**" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"**war risks**" includes the risk of mines and all risks excluded by clause 29 of the International **Hull** Clauses (1/11/02 or 1/11/03), clause 24 of the Institute Time Clauses (Hulls) (1/11/95) or clause 23 of the Institute Time Clauses (Hulls) (1/10/83) or any equivalent provision.

**1.3 Meaning of "month"**

A period of one or more "**months**" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started **(**"**the numerically corresponding day**"**),** but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day

and "**month**" and "**monthly**" shall be construed accordingly.

**1.4 Meaning of "subsidiary"**

A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of 5; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of 5; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P

and any company of which S is a subsidiary is a parent company of S.

**1.5 General Interpretation**

In this Agreement:

(a) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(b) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(c) words denoting the singular number shall include the plural and vice versa; and

(d) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

**1.6 Headings**

In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

**2 FACILITY**

**2.1 Amount of facility**

Subject to the other provisions of this Agreement, the Lender shall make available to the Borrowers a loan facility on a joint and several basis of up to $18,000,000 in aggregate in two Tranches as follows:

(a) Tranche A shall be in an amount of up to the lesser of (i) $8,500,000 and (ii) 50 per cent, of the Initial Market Value of Ship A; and

(b) Tranche B shall be in an amount of up to the lesser of (i) $9,500,000 and (ii) 50 per cent. of the Initial Market Value of Ship B.

**2.2 Purpose of Tranches**

Each Borrower undertakes with the Lender to use each Tranche only for the following purposes:

(a) in the case of Tranche A, in financing part of the acquisition costs of Ship A; and

(b) in the case of Tranche B, in financing part of the acquisition costs of Ship B.

**3 DRAWDOWN**

**3.1 Request for Tranche**

Subject to the following conditions, the Borrowers may request a Tranche to be advanced by ensuring that the Lender receives a completed Drawdown Notice not later than 11.00 a.m. (London time) 3 Business Days prior to the intended Drawdown Date.

**3.2 Availability**

The conditions referred to in Clause 3.1 are that:

(a) a Drawdown Date in relation to a Tranche has to be a Business Day during the Availability Period relating to such Tranche;

(b) each Tranche shall not exceed the amount applicable thereto referred to in Clause 2.1; and

(c) the aggregate amount of the Tranches shall not exceed the lesser of (i) $18,000,000 and (ii) 50 per cent. of the Initial Market Value of the Ships in aggregate.

**3.3 Drawdown Notice irrevocable**

A Drawdown Notice must be signed by a duly authorised signatory of each of the Borrowers; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Lender.

**3.4 Disbursement of Tranche**

Subject to the provisions of this Agreement, the Lender shall on the relevant Drawdown Date advance the relevant Tranche to the Borrowers; and payment to the Borrowers shall be made to the account which the Borrowers specify in the relevant Drawdown Notice.

**3.5 Disbursement of Tranche to third party**

The payment by the Lender under Clause 3.4 shall constitute the advance of a Tranche and the Borrowers shall at that time become indebted, as principal and direct obligors, to the Lender in an amount equal to that Tranche.

**4 INTEREST**

**4.1 Payment of normal interest**

Subject to the provisions of this Agreement, interest on each Tranche in respect of each Interest Period applicable to it shall be paid by the Borrowers on the last day of that Interest Period.

**4.2 Normal rate of interest**

Subject to the provisions of this Agreement, the rate of interest on each Tranche in respect of an interest Period applicable to it shall be the aggregate of (i) the Margin, (ii) the Mandatory Cost (if any) and (iii) LIBOR for that Interest Period.

**4.3 Payment of accrued interest**

In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

**4.4 Notification of market disruption**

The Lender shall promptly notify the Borrowers if the rate quoted on REUTERS BBA Page LIBOR 01 does not reflect the Lender's cost of obtaining matching deposits in the London Interbank Market or if for any reason the Lender is unable to obtain Dollars in the London Interbank Market in order to fund the Loan (or any part of it) during any Interest Period, stating the circumstances which have caused such notice to be given.

**4.5 Suspension of drawdown**

If the Lender's notice under Clause 4.4 is served before a Tranche is advanced, the Lender's obligation to advance that Tranche shall be suspended while the circumstances referred to in the Lender's notice continue.

**4.6 Negotiation of alternative rate of interest**

If the Lender's notice under Clause 4.4 is served after a Tranche is advanced, the Borrowers and the Lender shall use reasonable endeavours to agree, within 30 days after the date on which the Lender serves its notice under Clause 4.4 (the "**Negotiation Period**"**),** an alternative interest rate or (as the case may be) an alternative basis for the Lender to fund or continue to fund the Loan during the Interest Period concerned.

**4.7 Application of agreed alternative rate of interest**

Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

**4.8 Alternative rate of interest in absence of agreement**

If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Lender shall set an interest period and interest rate representing the cost of funding of the Lender in Dollars or in any available currency of the Loan plus the Margin and the Mandatory Cost **(if** any); and the procedure provided for by this Clause 4.8 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Lender.

**4.9 Notice of prepayment**

If the Borrowers do not agree with an interest rate set by the Lender under Clause 4.8, the Borrowers may give the Lender not less than 15 Business Days' notice of their intention to prepay at the end of the interest period set by the Lender.

**4.10 Prepayment**

A notice under Clause 4.9 shall be irrevocable; and on the last Business Day of the interest period set by the Lender, the Borrowers shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable rate plus the Margin and the Mandatory Cost (if any) and, if the prepayment or repayment is not made on the last day of the interest period set by the Lender, any sums payable under Clause 20.1(b).

**4.11 Application of prepayment**

The provisions of Clause 7 shall apply in relation to the prepayment.

**4.12 Hedging**

The Borrowers may enter into Transactions under the relevant Master Agreement **Provided that** each such Transaction shall have quarterly settlement dates and the relevant maturity does not exceed the Final Maturity Date.

**5 INTEREST PERIODS**

**5.1 Commencement of Interest Periods**

The first Interest Period applicable to a Tranche shall commence on its Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

**5.2 Duration of normal Interest Periods**

Subject to Clauses 5.3 and 5.4, each Interest Period shall be:

(a) 1, 3 or 6 months as notified by the Borrowers to the Lender not later than 11.00 a.m. (London time) 3 Business Days before the commencement of the Interest Period; or

(b) 3 months, if the Borrowers fail to notify the Lender by the time specified in paragraph (a); or

(c) such other period as the Lender may agree with the Borrowers.

**5.3 Duration of Interest Periods for repayment instalments**

In respect of an amount due to be repaid under Clause 7 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

**5.4 Non-availability of matching deposits for Interest Period selected**

If, after the Borrowers have selected and the Lender has agreed an Interest Period longer than 6 months, the Lender notifies the Borrowers by 11.00 a.m. (London time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

**5.5 No Interest Period to extend beyond the Maturity Date**

No Interest Period shall end after the Maturity Date applicable to the relevant Tranche and any Interest Period which would otherwise extend beyond the Maturity Date for the applicable Tranche shall instead end on that Maturity Date.

**6 DEFAULT INTEREST**

**6.1 Payment of default interest on overdue amounts**

The Borrowers shall pay interest in accordance with the following provisions of this Clause 6 on any amount payable by the Borrowers under any Finance Document which the Lender does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 18.4, the date on which it became immediately due and payable.

**6.2 Default rate of interest**

Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Lender to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 6.3(a) and 6.3(b); or

(b) in the case of any other overdue amount, the rate set out at Clause 6.3(b).

**6.3 Calculation of default rate of interest**

The rates referred to in Clause 6.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period applicable to it);

(b) the aggregate of the Margin and the Mandatory Cost (if any) plus, in respect of successive periods of any duration (including at call) up to 3 months which the Lender may select from time to time:

(i) LIBOR; or

(ii) if the Lender determines that Dollar deposits for any such period are not being made available to it by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Lender by reference to the cost of funds to it from such other sources as the Lender may from time to time determine.

**6.4 Notification of interest periods and default rates**

The Lender shall promptly notify the Borrowers of each interest rate determined by it under Clause 6.3 and of each period selected by it for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Lender's notification.

**6.5 Payment of accrued default interest**

Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined.

**6.6 Compounding of default interest**

Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

**6.7 Application to Master Agreements**

For the avoidance of doubt, this Clause 6 does not apply to any amount payable under the Master Agreements in respect of any continuing Transaction as to which section 9(h) (Interest and Compensation) of the Master Agreements shall apply.

## 7 REPAYMENT AND PREPAYMENT

### 7.1 Amount of repayment instalments

The Borrowers shall repay the Loan as follows:

(a) Tranche A shall be repaid:

(i) by 24 equal consecutive quarterly instalments in the amount of $195,833.33 each; and

(ii) a balloon payment in the amount of $3,800,000; and

(b) Tranche B shall be repaid:

(i) by 32 equal consecutive quarterly instalments in the amount of $156,250 each; and

(ii) a balloon payment in the amount of $4,500,000;

**Provided that** if the Borrowers do not draw down the maximum amount of a Tranche, the repayment instalments and the balloon instalment in respect of that Tranche will be reduced pro rata by an amount equal to the undrawn amount of that Tranche.

### 7.2 Repayment Dates

The first instalment in respect of each Tranche shall be repaid on the date falling 3 months after the Drawdown Date relative thereto, each subsequent instalment shall be repaid at 3-monthly intervals thereafter and the last instalment, together with the relevant balloon instalment, shall be repaid as follows:

(a) in relation to Tranche A, the earlier of the date falling on the sixth anniversary of the Drawdown Date relative thereto and 31 January 2020; and

(b) in relation to Tranche B, the earlier of the date falling on the eighth anniversary of the Drawdown Date relative thereto and 31 January 2022.

### 7.3 Final Maturity Date

On the final Maturity Date, the Borrowers shall additionally pay to the Lender all other sums then accrued or owing under any Finance Document.

### 7.4 Voluntary prepayment

Subject to the following conditions, the Borrowers may prepay the whole or any part of either Tranche on the last day of an Interest Period.

### 7.5 Conditions for voluntary prepayment

The conditions referred to in Clause 7.4 are that:

(a) a partial prepayment shall be in an amount not less than $500,000 or a higher integral multiple thereof;

(b) the Lender has received from the Borrowers at least 10 Business Days' prior written notice specifying the amount to be prepaid, the Tranche to which it relates and the date on which the prepayment is to be made;

(c) the Borrowers have provided evidence satisfactory to the Lender that any consent required by either Borrower or any Security Party in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affects either Borrower or any Security Party has been complied with; and

(d) the Borrowers have complied with Clause 7.10 on or prior to the date of prepayment.

**7.6 Effect of notice of prepayment**

A prepayment notice may not be withdrawn or amended without the consent of the Lender and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

**7.7 Mandatory prepayment**

The Borrowers shall be obliged to prepay the whole of a Tranche if a Ship which is part-financed by that Tranche is sold or becomes a Total Loss:

(a) in the case of a sale, on or before the date on which the sale is completed by delivery of that Ship to the buyer; or

(b) in the case of a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss.

**7.8 Amounts payable on prepayment**

A prepayment shall be made together with accrued interest (and any other amount payable under Clause 20 or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 20.1(b) but without premium or penalty.

**7.9 Application of partial prepayment**

Each partial prepayment shall be applied first against the balloon instalment of the relevant Tranche being prepaid and thereafter against the then outstanding repayment instalments of that Tranche in inverse order of maturity.

**7.10 Unwinding of Transactions**

On or prior to any repayment or prepayment under this Clause 7 or any other provision of this Agreement, the Borrowers shall 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 Clause 7.1.

**7.11 No reborrowing**

No amount prepaid may be reborrowed.

**7.12 Cancellation of Commitment**

Any portion of the Loan which has not been borrowed by the last day of the Availability Period shall automatically be cancelled.

## 8 CONDITIONS PRECEDENT

### 8.1 Documents, fees and no default

The Lender's obligation to advance a Tranche is subject to the following conditions precedent:

(a) that, on or before the date of this Agreement, the Lender receives (i) the documents described in Part A of Schedule 2 in form and substance satisfactory to it and its lawyers and (ii) payment of the arrangement fee referred to in Clause 19.1(a);

(b) that on or before the service of the Drawdown Notice, the Lender receives the documents described in Part B of Schedule 2 in form and substance satisfactory to it and its lawyers;

(c) that, on or before the service of the Drawdown Date the Lender receives the payment of all accrued commitment fee payable pursuant to Clause 19.1(b) and has received payment of the expenses referred to in Clause 19.2;

(d) that both at the date of each Drawdown Notice and at each Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred or would result from the borrowing of the relevant Tranche;

(ii) the representations and warranties in Clause 9.1 and those of the Borrowers or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing;

(iii) none of the circumstances contemplated by Clause 4.4 has occurred and is continuing; and

(iv) there has been no material adverse change in the financial position, state of affairs or prospects of either Borrower, the Guarantor or any other Security Party in the light of which the Lender considers that there **is** a significant risk that either Borrower, the Guarantor or any other Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents to which it is a party as they fall due;

(e) that, if the ratio set out in Clause 14.1 were applied immediately following the advance of a Tranche, the Borrowers would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(f) that the Lender has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Lender may request by notice to the Borrowers prior to the relevant Drawdown Date.

### 8.2 Waivers of conditions precedent

If the Lender, at its discretion, permits a Tranche to be borrowed before certain of the conditions referred to in Clause 8.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 5 Business Days after its Drawdown Date (or such longer period as the Lender may specify).

## 9 REPRESENTATIONS AND WARRANTIES

### 9.1 General

Each Borrower represents and warrants to the Lender as follows.

**9.2 Status**

Each Borrower is duly incorporated and validly existing and in good standing under the laws of the Republic of the Marshall Islands.

**9.3 Share capital and ownership**

Each Borrower has an authorised share capital of Five hundred (500) registered shares with par value of $0,01 each and the legal title and beneficial ownership of all those shares is held, free of any Security Interest or other claim, by the Guarantor.

**9.4 Corporate power**

Each Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to permanently register the Ship owned by it in its name under an Approved Flag;

(b) to execute the Finance Documents to which each Borrower is a party; and

(c) to borrow under this Agreement, to enter into Transactions under each Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which it is a party.

**9.5 Consents in force**

All the consents referred to in Clause 9.4 remain in force and nothing has occurred which makes any of them liable to revocation.

**9.6 Legal validity; effective Security Interests**

Each of the Finance Documents, to which each Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute that Borrower's legal, valid and binding obligations enforceable against that Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors' rights generally.

**9.7 No third party Security Interests**

Without limiting the generality of Clause 9.6, at the time of the execution and delivery of each Finance Document to which a Borrower is a party:

(a) each Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

**9.8 No conflicts**

The execution by the Borrowers (or either of them) of each Finance Document to which it is a party and the borrowing by the Borrowers of the Loan, and each Borrower's compliance with each Finance Document to which it is a party, will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of any Borrower; or

(c) any contractual or other obligation or restriction which is binding on either Borrower or any of its assets.

**9.9 No withholding taxes**

All payments which any Borrower is liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction. For the avoidance of doubt, this Clause 9.9 does not apply to any amount payable under the Master Agreements in respect of any continuing Transaction as to which section 3 (Basic Representations) of the Master Agreements shall apply.

**9.10 No default**

No Event of Default or Potential Event of Default has occurred.

**9.11 Information**

All information which has been provided in writing by or on behalf of either Borrower or any Security Party to the Lender in connection with any Finance Document and satisfied the requirements of Clause 10.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 10.7; and there has been no material adverse change in the financial position or state of affairs of either Borrower from that disclosed in the latest of those accounts.

**9.12 No litigation**

No legal or administrative action involving any Borrower (including action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to any Borrower's knowledge, is likely to be commenced or taken.

**9.13 Compliance with certain undertakings**

At the date of this Agreement, each Borrower is in compliance with Clauses 10.2, 10.4, 10.9 and 10.13.

**9.14 Taxes paid**

Each Borrower has paid all taxes applicable to, or imposed on or in relation to that Borrower, its business or the Ship owned by it.

**9.15 ISM Code and ISPS Code compliance**

All requirements of the ISM Code and the ISPS Code as they relate to the Borrowers, the Approved Manager and each Ship have been complied with.

**9.16 No money laundering**

Without prejudice to the generality of Clause 2.2, in relation to the borrowing by the Borrowers of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents to which each Borrower is a party, each Borrower confirms (i) that it is acting for its own account, (ii) that it will use the proceeds of the Loan for its own benefit, under its full responsibility and exclusively for the purposes specified in this Agreement and (iii) that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities),

**9.17 No immunity**

The Borrowers are not, nor are any of their assets entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgement, execution or other enforcement).

**10 GENERAL UNDERTAKINGS**

**10.1 General**

Each Borrower undertakes with the Lender to comply with the following provisions of this Clause 10 at all times during the Security Period, except as the Lender may otherwise permit.

**10.2 Title; negative pledge**

Each Borrower will:

(a) hold the legal title to, and own the entire beneficial interest in its Ship, the Insurances and Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents and the effect of assignments contained in the Finance Documents and except for Permitted Security Interests; and

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future (including, but not limited to, the Borrowers' rights against the Lender under the Master Agreements or all or any part of the Borrowers' interest in any amount payable to the Borrowers by the Lender under each Master Agreement).

**10.3 No disposal of assets**

No Borrower will transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation.

**10.4 No other liabilities or obligations to be incurred**

No Borrower will incur any liability or obligation except:

(a) liabilities and obligations under the Finance Documents to which it is a party;

(b) liabilities or obligations reasonably incurred in the ordinary course of owning, operating and chartering the Ship owned by it; and

(c) in respect of the Transactions.

**10.5 Information provided to be accurate**

All financial and other information which is provided in writing by or on behalf of the Borrowers under or in connection with any Finance Document or any Charter will be true and not misleading and will not omit any material fact or consideration.

**10.6 Provision of financial statements**

Each Borrower will send or procure that are to be sent to the Lender:

(a) as soon as possible, but in no event later than 180 days after the end of each financial year (commencing with the financial year ending 31 December 2013) of the Guarantor, the audited annual statements of the Guarantor;

(b) as soon as possible, but in no event later than 90 days after a six-month in each financial year (commencing with the financial year ending 31 December 2013) of the Guarantor, the semi-annual management accounts of the Guarantor for such period certified as to their correctness by the chief financial officer of the Guarantor; and

(c) promptly after each request by the Lender, such further financial information about the Borrowers, the Guarantor, the Group and/or the Ships including, but not limited to, charter arrangements, Financial Indebtedness and operating expenses as the Lender may reasonably require.

**10.7 Form of financial statements**

All accounts (audited and unaudited) delivered under Clause 10.6 will:

(a) be prepared in accordance with all applicable laws and GAAP consistently applied;

(b) give a true and fair view of the state of affairs of the Group, at the date of those accounts and of its profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Group.

**10.8 Shareholder and creditor notices**

Each Borrower will send the Lender, at the same time as they are despatched, copies of all communications which are despatched to that Borrower's shareholders or creditors or any class of them.

**10.9 Consents**

Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Lender of, all consents required:

(a) for each Borrower to perform its obligations under any Finance Document and any Charter to which it is a party;

(b) for the validity or enforceability of any Finance Document and any Charter to which it is a party;

(c) for that Borrower to own and operate and continue to own and operate its Ship, and each Borrower will comply with the terms of all such consents.

**10.10 Maintenance of Security Interests** Each Borrower will:

(a) at its own cost, do all that is necessary to ensure that any Finance Document to which it is a party validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a), at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which may be or become necessary or desirable for any Finance Document to be valid, enforceable or has admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

**10.11 Notification of litigation**

Each Borrower will provide the Lender with details of any legal or administrative action involving any Borrower, any Security Party, the Approved Manager or any Ship, its Earnings or its Insurances as soon as such action is instituted or it becomes apparent to such Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

**10.12 Principal place of business**

Each Borrower will keep its corporate documents and records, at the address stated in Clause 27.2(a); and no Borrower will establish, or do anything as a result of which it would be deemed to have, a place of business in any country other than the Republic of the Marshall Islands and Greece.

**10.13 Confirmation of no default**

Each Borrower will, within 2 Business Days after service by the Lender of a written request, serve on the Lender a notice which is signed by an authorised representative or an officer of each Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

The Lender may serve requests under this Clause 10.14 from time to time; this Clause 10.14 does not affect any Borrower's obligations under Clause 10.15.

**10.14 Notification of default**

Each Borrower will notify the Lender as soon as it becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred

and will keep the Lender fully up-to-date with all developments.

**10.15 Provision of further information**

Each Borrower will, as soon as practicable after receiving the request, provide the Lender with any additional financial or other information relating:

(a) to either Borrower, the Guarantor, the Approved Manager, either Ship, its Earnings or its Insurances and any Charter, each other member of the Group and any other Fleet Vessel as the Lender may require; or

(b) to any other matter relevant to, or to any provision of, a Finance Document which may be requested by the Lender at any time.

**10.16 "Know your customer" checks**

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 any Borrower or any Security Party after the date of this Agreement;

(c) a proposed assignment or transfer by the 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 Lender (or, in the case of paragraph (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 Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Lender (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Lender or, in the case of the event described in paragraph (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.

**10.17 Provision of copies and translation of documents**

If the Lender so requires, the Borrowers will supply the Lender with a certified English translation in respect of any of those documents referred to above, such translation to be prepared by a translator approved by the Lender.

**11 CORPORATE UNDERTAKINGS**

**11.1 General**

Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Lender may otherwise permit.

**11.2 Maintenance of status**

Each Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Republic of the Marshall Islands.

**11.3 Negative undertakings**

No Borrower will:

(a) carry on any business other than the ownership, chartering and operation of its Ship; or

(b) pay any dividend or make any other form of distribution or effect any form of redemption, purchase or return of share capital if an Event of Default has occurred or could result from the payment of such dividend or the making of any other form of distribution; or

(c) effect any form of redemption, purchase or return of share capital;

(d) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in any Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Borrowers than those which it could obtain in a bargain made at arms' length;

(e) open or maintain any account with any bank or financial institution except accounts with the Lender for the purposes of the Finance Documents;

(f) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital;

(g) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative other than the Transactions; or

(h) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(i) acquire any vessel other than the Ship owned or to be owned by it.

**11.4 Minimum Liquidity**

Each Borrower shall maintain aggregate credit balances in an amount of not less than $200,000 in its Earnings Account at all times as from the Drawdown Date of the Tranche used to finance its Ship.

**12 INSURANCE**

**12.1 General**

Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Lender may otherwise permit.

**12.2 Maintenance of obligatory insurances**

Each Borrower shall keep the Ship owned by it insured at the expense of such Borrower against:

(a) fire and usual marine risks (including hull and machinery but excluding excess risks);

(b) war risks (including war protection and indemnity, terrorism and piracy risks);

(c) protection and indemnity risks; and

(d) any other risks against which the Lender considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Lender be reasonable for such Borrower to insure and which are specified by the Lender by notice to such Borrower.

**12.3 Terms of obligatory insurances**

Each Borrower shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) an amount which when aggregated with the insured value of the other Ship then subject to a Mortgage, is equal to 120 per cent, of the Loan, and (ii) the Market Value of the Ship owned by it; and

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market (currently $1,000,000,000);

(d) in relation to protection and indemnity risks in respect of the Ship's full value and tonnage;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

**12.4 Further protections for the Lender**

In addition to the terms set out in Clause 12.3, each Borrower shall procure that the obligatory insurances shall:

(a) subject always to paragraph (b), name that Borrower as the sole named assured unless the interest of every other named assured is limited:

(i) in respect of any obligatory insurances for hull and machinery and war risks;

(A) to any provable out-of-pocket expenses that it has incurred and which form part of any recoverable claim on underwriters; and

(B) to any third party liability claims where cover for such claims is provided by the policy (and then only in respect of discharge of any claims made against it); and

(ii) in respect of any obligatory insurances for protection and indemnity risks, to any recoveries it is entitled to make by way of reimbursement following discharge of any third party liability claims made specifically against it

and every other named assured has undertaken in writing to the Lender (in such form as it requires) that any deductible shall be apportioned between that Borrower and every other named assured in proportion to the gross claims made or paid by each of them and that it

shall do all things necessary and provide all documents, evidence and information to enable the Lender to collect or recover any moneys which at any time become payable in respect of the obligatory insurances;

(b) in the case of any obligatory insurances against any risks other that protection and indemnity risks, and whenever the Lender requires name (or be amended to name) the Lender as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Lender, but without the Lender thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(c) name the Lender as loss payee with such directions for payment as the Lender may specify;

(d) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Lender shall be made without set-off, counterclaim or deductions or condition whatsoever;

(e) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Lender; and

(f) provide that the Lender may make proof of loss if the relevant Borrower fails to do so.

**12.5 Renewal of obligatory insurances**

Each Borrower shall:

(a) at least 21 days before the expiry of any obligatory insurance:

(i) notify the Lender of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom that Borrower proposes to renew that obligatory insurance and of the proposed terms of renewal; and

(ii) obtain the Lender's approval to the matters referred to in paragraph (1);

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Lender's approval pursuant to paragraph (a); and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Lender in writing of the terms and conditions of the renewal.

**12.6 Copies of policies; letters of undertaking**

Each Borrower shall ensure that all approved brokers provide the Lender with pro forma copies of all policies relating to the obligatory insurances which they are to effect or renew and of a letter or letters or undertaking in a form required by the Lender and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 12.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Lender in accordance with the said loss payable clause;

(c) they will advise the Lender immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Lender, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from the relevant Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Lender of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the relevant Ship under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies, or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Lender.

**12.7 Copies of certificates of entry**

Each Borrower shall ensure that any protection and indemnity and/or war risks associations in which its Ship is entered provides the Lender with:

(a) a certified copy of the certificate of entry for such Ship;

(b) a letter or letters of undertaking in such form as may be required by the Lender; and

(c) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to the Ship.

**12.8 Deposit of original policies**

Each Borrower shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

**12.9 Payment of premiums**

Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Lender.

**12.10 Guarantees**

Each Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

**12.11 Restrictions on employment**

No Borrower shall employ the Ship owned by it, nor shall permit the Ship owned by it to be employed, outside the cover provided by any obligatory insurance.

**12.12 Compliance with terms of insurances**

No Borrower shall do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable thereunder repayable in whole or in part; and, in particular:

(a) each Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 12.7(d)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Lender has not given its prior approval;

(b) no Borrower shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it approved by the underwriters of the obligatory insurances;

(c) each Borrower shall make (and promptly supply copies to the Lender of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) no Borrower shall employ the Ship owned by it, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

**12.13 Alteration to terms of insurances**

No Borrower shall make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

**12.14 Settlement of claims**

No Borrower shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Lender to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

**12.15 Provision of copies of communications**

Each Borrower shall provide the Lender, at the time of each such communication, with copies of all written communications between that Borrower and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) that Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) relating wholly or partly to the effecting or maintenance of the obligatory insurances.

**12.16 Provision of information**

In addition, that Borrower shall promptly provide the Lender (or any persons which it may designate) with any information which the Lender (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 12.17 below or dealing with or considering any matters relating to any such insurances

and each Borrower shall, forthwith upon demand, indemnify the Lender in respect of all fees and other expenses incurred by or for the account of the Lender in connection with any such report as is referred to in paragraph (a).

**12.17 Mortgagee's interest, additional perils insurance**

The Lender shall be entitled from time to time to effect, maintain and renew a mortgagee's interest marine insurance and a mortgagee's interest additional perils insurance each in an amount equal to at least 120% of the Loan, on such terms, through such insurers and generally in such manner as the Lender may from time to time consider appropriate and the Borrowers shall upon demand fully indemnify the Lender in respect of all premiums and other expenses which may be incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

**12.18 Review of insurance requirements**

The Lender shall be entitled to review the requirements of this Clause 12 from time to time, in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Lender significant and capable of affecting any Borrower or any Ship and its insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which any Borrower may be subject) and may appoint insurance consultants in relation to this review at the cost of the Borrowers.

**12.19 Modification of insurance requirements**

The Lender shall notify the Borrowers of any proposed modification under Clause 12.18 to the requirements of this Clause 12 which the Lender, may consider appropriate in the circumstances and, after consultation with the Borrowers, such modification shall take effect on and from the date it is notified in writing to the Borrowers as an amendment to this Clause 12 and shall bind each Borrower accordingly.

**12.20 Compliance with mortgagee's instructions**

The Lender shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require any Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Lender until the Borrower which is the owner of such Ship implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 12.19.

**13 SHIP COVENANTS**

**13.1 General**

Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 13 at all times during the Security Period in respect of the Ship owned by it except as the Lender may otherwise permit.

**13.2 Ship's name and registration**

Each Borrower shall:

(a) keep the Ship owned by it registered in its name under an Approved Flag;

(b) not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and

(c) not change the name or port of registry of its Ship without the prior written consent of the Lender, such consent not to be unreasonably withheld.

**13.3 Repair and classification**

Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain such Ship with the highest classification available for vessels of the same age, type and specification as such Ship free of overdue recommendations and conditions with a classification society which is a member of the IACS and acceptable to the Lender; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the applicable Approved Flag State or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code and the ISPS Code.

**13.4 Classification society undertaking**

The Borrowers shall instruct the classification society referred to in Clause 13.3 (and procure that the classification society undertakes with the Lender):

(a) to send to the Lender, following receipt of a written request from the Lender, certified true copies of all original class records and any other related records held by the classification society in relation to the Ship;

(b) to allow the Lender (or its agents), at any time and from time to time, to inspect the original class and related records of any Borrower and the Ship owned by it at the offices of the classification society and to take copies of them;

(c) to notify the Lender immediately in writing if the classification society:

(i) receives notification from any Borrower or any other person that the relevant Ship's classification society is to be changed; or

(ii) becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of the relevant Ship's class under the rules or terms and conditions of any Borrower's or the relevant Ship's membership of the classification society; and

(d) following receipt of a written request from the Lender:

(i) to confirm that no Borrower is in default of any of its contractual obligations or liabilities to the classification society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the classification society; or

(ii) if any Borrower is in default of any of its contractual obligations or liabilities to the classification society, to specify to the Lender in reasonable detail the facts and circumstances of such default, the consequences thereof, and any remedy period agreed or allowed by the classification society.

**13.5 Modification**

No Borrower shall make any modification or repairs to, or replacement of, the Ship owned by **it** or equipment installed on its Ship which would or might materially alter the structure, type or performance characteristics of that Ship or reduce her value.

**13.6 Removal of parts**

No Borrower shall remove any material part of the Ship owned by it, or any item of equipment installed on that Ship, unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Lender and becomes on installation on the relevant Ship the property of the relevant Borrower and subject to the security constituted by the relevant Mortgage **Provided that** such Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to such Ship.

**13.7 Surveys**

Each Borrower shall submit its Ship regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Lender provide the Lender, with copies of all survey reports.

**13.8 Inspection**

Each Borrower shall, at its expense, permit the Lender (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections.

**13.9 Prevention of and release from arrest**

Each Borrower shall promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, its Earnings or its Insurances;

(b) all taxes, dues and other amounts charged in respect of the Ship owned by it, its Earnings or its Insurances; and

(c) all other outgoings whatsoever in respect of the Ship owned by it, its Earnings or its Insurances,

and, forthwith upon receiving notice of the arrest of any Ship, or of its detention in exercise or purported exercise of any lien or claim, the Borrowers shall procure its release by providing bail or otherwise as the circumstances may require.

**13.10 Compliance with laws etc.**

Each Borrower shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws and all other laws or regulations relating to its Ship, its ownership, operation and management or to its business;

(b) not employ its Ship nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code;

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit it to enter or trade to any zone which is declared a war zone by any government or by any Ship's war risks insurers unless the prior written consent of the Lender has been given and the relevant Borrower has (at its expense) effected any special, additional or modified insurance cover which the Lender may require; and

(d) comply with all applicable regulations (in the United States of America and, where relevant, elsewhere) with respect to maintenance of its Certificate of Financial Responsibility and other certificates of third party liability insurance so as to enable its Ship to trade fully at all times.

**13.11 Provision of information**

Each Borrower shall promptly provide the Lender with any information which it requests regarding:

(a) the Ship owned by it, its employment, position and engagements;

(b) the Earnings and payments and amounts due to any Ship's master and crew;

(c) any expenses incurred, or likely to be incurred, in connection with the trading, chartering, operation, maintenance or repair of any Ship and any payments made in respect of that Ship;

(d) any towages and salvages; and

(e) each Borrower's, the Approved Manager's or any Ship's compliance with the ISM Code and the ISPS Code,

and, upon the Lender's request, provide copies of any current charter relating to each Ship, of any current charter guarantee, the SMC and copies of the relevant Borrower's or the Approved Manager's Document of Compliance.

**13.12 Notification of certain events**

Each Borrower shall immediately notify the Lender by fax, confirmed forthwith by letter, of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which any Ship has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of any Ship, any exercise or purported exercise of any lien on that Ship or its Earnings or any requisition of that Ship for hire;

(e) any intended dry docking of any Ship;

(f) any Environmental Claim made against any Borrower or in connection with any Ship, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against any Borrower, the Approved Manager or otherwise in connection with any Ship; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and the Borrowers shall keep the Lender advised in writing on a regular basis and in such detail as the Lender shall require of the Borrowers', the Approved Manager's or any other person's response to any of those events or matters.

**13.13 Restrictions on chartering, appointment of managers etc**

No Borrower shall in relation to the Ship owned by it:

(a) let that Ship on demise charter for any period;

(b) enter into any time or consecutive voyage charter in respect of that Ship for a term which exceeds, or which by virtue of any optional extensions may exceed, 24 months;

(c) enter into any charter in relation to that Ship under which more than 2 months' hire (or the equivalent) is payable in advance;

(d) charter that Ship otherwise than on bona fide arm's length terms at the time when that Ship is fixed;

(e) appoint a manager of that Ship other than the Approved Manager or an affiliate of the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up that Ship; or

(g) put that Ship into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed US$2,000,000 (or the equivalent in any other currency) unless that person has first given to the Lender and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or its Earnings for the cost of such work or for any other reason.

**13.14 Notice of Mortgage**

Each Borrower shall keep the Mortgage registered against its Ship as a valid first priority mortgage, carry on board its Ship a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of its Ship a framed printed notice stating that that Ship is mortgaged by the relevant Borrower to the Lender.

**13.15 Sharing of Earnings**

No Borrower shall:

(a) enter into any agreement or arrangement for the sharing of any Earnings; and

(b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due, the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of the relevant Borrower to the Earnings; or

(c) enter into any agreement or arrangement for the release, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.

**13.16 ISPS Code**

Each Borrower shall comply with the ISPS Code and in particular, without limitation, shall:

(a) procure that its Ship and the company responsible for that Ship's compliance with the ISPS Code comply with the ISPS Code; and

(b) maintain for its Ship an ISSC; and

(c) notify the Lender immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC in respect of any Ship.

**13.17 Charter Assignment**

If any Borrower enters into a Charter, that Borrower shall, at the request of the Lender, execute in favour of the Lender a Charter Assignment and shall:

(a) serve notice of the Charter Assignment on the charterer and procure that the charterer acknowledges such notice in such form as the Lender may approve or require; and

(b) deliver to the Lender such other documents equivalent to those referred to at paragraphs 3, 4 and 5 of Schedule 2, Part A as the Lender may require.

**14 SECURITY COVER**

**14.1 Minimum required security cover**

Clause 14.2 applies if the Lender notifies the Borrowers that:

(a) the aggregate Market Value of the Ships (which are then subject to a Mortgage); plus

(b) the net realisable value of any additional security previously provided under this Clause 14 is below 125 per cent. of the Loan.

**14.1 Provision of additional security; prepayment**

If the Lender serves a notice on the Borrowers under Clause 14.1, the Borrowers shall prepay such part (at least) of the Loan or, as the case may be, the relevant Tranche as will eliminate the shortfall on or before the date falling 1 month after the date on which the Lender's notice is served (the "**Prepayment Date**"**),** unless at least 1 Business Day before the Prepayment Date the Borrowers have provided or ensured that a third party has provided, additional security which, in the opinion of the Lender, has a net realisable value at least equal to the shortfall and which has been documented in such terms as the Lender may approve or require.

**14.3 Valuation of Ships**

The Market Value of a Ship at any date is that shown by taking the arithmetic mean of two desktop valuations, each addressed to the Lender and prepared:

(a) as at a date not more than 14 days previously;

(b) by two Approved Brokers appointed or approved by the Lender;

(c) with or without physical inspection of the Ship (as the Lender may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment;

(e) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

**14.4 Value of additional vessel security**

The net realisable value of any additional security which is provided under Clause 14.2 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 14.3.

**14.5 Valuations binding**

Any valuation under Clause 14.2, 14.3 or 14.4 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Lender makes of any additional security which does not consist of or include a Security Interest.

**14.6 Provision of information**

The Borrowers shall promptly provide the Lender and any shipbroker or expert acting under Clause 14.3 or 14.4 with any information which the Lender or the shipbroker or expert may request for the purposes of the valuation; and, if the Borrowers fail to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the shipbroker or the Lender (or the expert appointed by it) considers prudent.

**14.7 Payment of valuation expenses**

Without prejudice to the generality of the Borrowers' obligations under Clauses 19.2, 19.3 and 20.3, the Borrowers shall, on demand, pay the Lender the amount of the fees and expenses of any shipbroker or expert instructed by the Lender under this Clause and all legal and other reasonable expenses incurred by the Lender in connection with any matter arising out of this Clause 14.

**14.8 Frequency of Valuations**

The Borrowers acknowledge and agree that the Lender may commission valuations of the Ships at such times as the Lender shall deem necessary and, in any event, not less often than once in respect of each Ship during each 12-month period of the Security Period on the anniversary of the Drawdown Date of the Tranche financing that Ship.

**14.9 Application of prepayment**

Clause 7 shall apply in relation to any prepayment pursuant to Clause 14.2.

**15 PAYMENTS AND CALCULATIONS**

**15.1 Currency and method of payments**

All payments to be made by the Borrowers to the Lender under a Finance Document shall be made to the Lender:

(a) by not later than 11.00 a.m. (London time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Lender shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(c) to such account of the Lender with a bank in New York as the Lender may from time to time notify to the Borrowers.

**15.2 Payment on non-Business Day**

If any payment by the Borrowers (or any of them) under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

**15.3 Basis for calculation of periodic payments**

All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

**15.4 Lender accounts**

The Lender shall maintain an account showing the amounts advanced by the Lender and all other sums owing to the Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

**15.5 Accounts prima facie evidence**

If the account maintained under Clause 15.4 shows an amount to be owing by any Borrower or a Security Party to the Lender, that account shall be prima facie evidence that that amount is owing to the Lender.

**16 APPLICATION OF RECEIPTS**

**16.1 Normal order of application**

Except as any Finance Document may otherwise provide, any sums which are received or recovered by the Lender under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (including for the avoidance of doubt the Master Agreements) in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Lender under the Finance Documents other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 19, 20 and 21 of this Agreement or by the Borrowers or any Security Party under any corresponding or similar provision in any other Finance Document);

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Lender under the Finance Documents (including for the avoidance of doubt the Master Agreements) (and, for this purpose, the expression "**interest**" shall include any net amount which the Borrowers shall have become liable to pay or deliver under section 9(h) (Interest and Compensation) of the Master Agreements but shall have failed to pay or deliver to the Lender at the time of application or distribution under this Clause 16); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure (in the case of the latter, calculated as at the actual Early Termination Date applying to each particular Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

(b) SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document but which the Lender, by notice to the Borrowers and the Security Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the provisions of this Clause; and

(c) THIRDLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

**16.2 Variation of order of application**

The Lender may, by notice to the Borrowers and the Security Parties, provide for a different manner of application from that set out in Clause 16.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

**16.3 Notice of variation of order of application**

The Lender may give notices under Clause 16.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

**16.4 Appropriation rights overridden**

This Clause 16 and any notice which the Lender gives under Clause 16.2 shall override any right of appropriation possessed, and any appropriation made, by any Borrower or any Security Party.

**17 APPLICATION OF EARNINGS; SWAP PAYMENTS**

**17.1 Payment of Earnings**

Each Borrower undertakes with the Lender to ensure that, throughout the Security Period:

(a) (subject only to the provisions of the relevant General Assignment) all the Earnings in respect of each Ship are paid to the Earnings Account for that Ship; and

(b) all payments by the Lender to the Borrowers under a Transaction are paid to the Earnings Accounts (or either of them).

**17.2 Location of accounts**

Each Borrower shall promptly:

(a) comply with any requirement of the Lender as to the location or re-location of the Earnings Accounts (or either of them);

(b) execute any documents which the Lender specifies to create or maintain in favour of the Lender a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Earnings Accounts (or either of them).

**17.3 Debits for expenses etc.**

The Lender shall be entitled (but not obliged) from time to time to debit any Earnings Accounts without prior notice in order to discharge any amount due and payable to it under Clause 19 or 20 or payment of which it has become entitled to demand under Clause 19 or 20.

**17.4 Earnings Accounts balances**

Subject to the other terms of this Agreement and provided that no Event of Default has occurred at any relevant time any balance standing to the credit of the Earnings Accounts shall be freely available to the Borrowers to be used in accordance with and in compliance with the terms and conditions of this Agreement.

**18 EVENTS OF DEFAULT**

**18.1 Events of Default**

An Event of Default occurs if:

(a) any Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; or

(b) any breach occurs of Clause 8.2, 9.3, 10.2, 10.3, 11.2, 11.3, 11.4, 12.2, 12.3, 13.3, 13.9, 14.2 or 17.1 or clause 12.3 of the Guarantee; or

(c) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a) or (b)) if, in the opinion of the Lender, such default is capable of remedy and such default continues unremedied 10 days after written notice from the Lender requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in any Finance Document) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a), (b) or (c)); or

(e) any representation, warranty or statement made by, or by an officer of, a Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made or repeated; or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person (exceeding, in the case of the Guarantor, $10,000,000 (or the equivalent in any other currency) in aggregate and, in the case of any other Relevant Person, $500,000 (or the equivalent in any other currency) in aggregate):

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the opinion of the Lender, unable to pay its debts as they fail due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress, or any form of freezing order, in respect of a sum of, or sums aggregating $100,000 or more or the equivalent in another currency;

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) an administrator is appointed (whether by the court or otherwise) in respect of a Relevant Person; or

(v) any formal declaration of bankruptcy or any formal statement to the effect that a Relevant Person is insolvent or likely to become insolvent is made by a Relevant Person or by the directors of a Relevant Person or, in any proceedings, by a lawyer acting for a Relevant Person; or

(vi) a provisional liquidator is appointed in respect of a Relevant Person, a winding up order is made in relation to a Relevant Person or a winding up resolution is passed by a Relevant Person; or

(vii) a resolution is passed, an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by (aa) a Relevant Person, (bb) the members or directors of a Relevant Person, (cc) a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person, or (dd) a government minister or public or regulatory authority of a Pertinent Jurisdiction for or with a view to the winding up of that or another Relevant Person or the appointment of a provisional liquidator or administrator in respect of that or another Relevant Person, or that or another Relevant Person ceasing or suspending business operations or payments to creditors, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than a Borrower or the Guarantor which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Lender and effected not later than 3 months after the commencement of the winding up; or

(viii) an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by a creditor of a Relevant Person (other than a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person) for the winding up of a Relevant Person or the appointment of a provisional liquidator or administrator in respect of a Relevant Person in any Pertinent Jurisdiction, unless the proposed winding up, appointment of a provisional liquidator or administration is being contested in good faith, on substantial grounds and not with a view to some other insolvency law procedure being implemented instead and either (aa) the application or petition is dismissed or withdrawn within 30 days of being made or presented, or (bb) within 30 days of the

administration notice being given or filed, or the other relevant steps being taken, other action is taken which will ensure that there will be no administration and (in both cases (aa) or (bb)) the Relevant Person will continue to carry on business in the ordinary way and without being the subject of any actual, interim or pending insolvency law procedure; or

(ix) a Relevant Person or its directors take any steps (whether by making or presenting an application or petition to a court, or submitting or presenting a document setting out a proposal or proposed terms, or otherwise) with a view to obtaining, in relation to that or another Relevant Person, any form of moratorium, suspension or deferral of payments, reorganisation of debt (or certain debt) or arrangement with all or a substantial proportion (by number or value) of creditors or of any class of them or any such moratorium, suspension or deferral of payments, reorganisation or arrangement is effected by court order, by the filing of documents with a court, by means of a contract or in any other way at all; or

(x) any meeting of the members or directors, or of any committee of the board or senior management, of a Relevant Person is held or summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iv) to (ix) or a step preparatory to such action, or (with or without such a meeting) the members, directors or such a committee resolve or agree that such an action or step should be taken or should be taken if certain conditions materialise or fail to materialise; or

(xi) in a Pertinent Jurisdiction other than England, any event occurs, any proceedings are opened or commenced or any step is taken which, in the opinion of the Lender is similar to any of the foregoing; or

(h) any Borrower or any Security Party ceases or suspends carrying on its business or a part of its business which, in the opinion of the Lender, is material in the context of this Agreement; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for any Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Lender considers material under a Finance Document; or

(ii) for the Lender to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable any Borrower to own, operate or charter the Ship owned or to be owned by it or to enable any Borrower or any Security Party to comply with any provision which the Lender considers material of a Finance Document to which it is a party is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(k) it appears to the Lender that, without its prior written consent, a change has occurred or probably has occurred after the date of this Agreement in the direct shareholders or the legal ownership of any of the shares in any Borrower or in the control of the voting rights attaching to any of those shares; or

(l) any person (other than any financial institution acting as a passive investor) becomes at any time the legal or ultimate beneficial owner of a higher percentage of the total issued share capital of the Guarantor than the percentage of the total issued share capital of the Guarantor beneficially owned by any member or members of the Palios Family; or

(m) Mr. Simeon Patios ceases to hold an executive position in the Guarantor and active role in the decision making in respect of the Guarantor; or

(n) without the prior consent of the Lender, the shares of the Guarantor cease to be listed on the New York Stock Exchange; or

(o) any provision which the Lender considers material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(p) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(q) an Event of Default (as defined in Section 14 of each Master Agreement) has occurred and is continuing with the Borrowers as the Defaulting Party (as defined in the Master Agreements) under each such Master Agreement or an Early Termination Date has been designated by the Lender in accordance with Section 6(a) of each Master Agreement; or

(r) a Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Lender; or

(s) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a material adverse change in the financial position, state of affairs or prospects of any Relevant Person; or

(ii) any accident or other event involving any Ship or another vessel owned, chartered or operated by a Relevant Person,

in the light of which the Lender considers that there is a significant risk that any Borrower or the Guarantor is, or will later become, unable to discharge its or their liabilities under the Finance Documents as they fall due.

**18.2 Actions following an Event of Default**

On, or at any time after, the occurrence of an Event of Default the Lender may:

(a) serve on the Borrowers a notice stating that all obligations of the Lender to the Borrowers under this Agreement are terminated; and/or

(b) serve on the Borrowers a notice stating that all or part of the Loan, together with accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(c) take any other action which, as a result of the Event of Default or any notice served under paragraph (a) or (b), the Lender is entitled to take under any Finance Document or any applicable law.

**18.3 Termination of Commitment**

On the service of a notice under Clause 18.2(a) the Commitment and all the obligations of the Lender to the Borrowers under this Agreement shall terminate.

**18.4 Acceleration of Loan**

On the service of a notice under Clause 18.2(b) all or, as the case may be, the part of the Loan specified in the notice together with accrued interest and all other amounts accrued or owing from any Borrower or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

**18.5 Multiple notices; action without notice**

The Lender may serve notices under Clauses 18.2(a) and 18.2(b) simultaneously or on different dates and it may take any action referred to in Clause 18.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

**18.6 Exclusion of Lender liability**

Neither the Lender nor any receiver or manager appointed by the Lender, shall have any liability to a Borrower or a Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset

except that this does not exempt the Lender or a receiver or manager from liability for losses shown to have been caused directly and mainly by the dishonesty or the wilful misconduct of the Lender's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

**18.7 Relevant Persons**

In this Clause 18 a "**Relevant Person**" means any Borrower, the Guarantor, the Approved Manager or any other Security Party, and any other member of the Group.

**18.8 Interpretation**

In Clause 18.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 18.1(g) "**petition**" includes an application,

**19 FEES AND EXPENSES**

**19.1 Arrangement and Commitment fee**

The Borrowers shall pay to the Lender:

(a) a non-refundable arrangement fee of $135,000 (representing 0.75 per cent. of the maximum amount of the Commitment) on the date of this Agreement; and

(b) quarterly in arrears during the period from (and including) the date of this Agreement to the earlier of (i) the final Drawdown Date to occur and (ii) the last day of the Availability Period and on the last date of that period, a commitment fee at the rate of 1 per cent. per annum on the undrawn amount of the Commitment,

**19.2 Costs of negotiation, preparation etc.**

The Borrowers shall pay to the Lender on its demand the amount of all expenses incurred by the Lender in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

**19.3 Costs of variations, amendments, enforcement etc.**

The Borrowers shall pay to the Lender, on the Lender's demand, the amount of all expenses incurred by the Lender in connection with:

(a) any amendment or supplement to a Finance Document (except those made pursuant to clauses 25.2, 25.4 and 25.7), or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lender concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 14 or any other matter relating to such security;

(d) where the Lender, in its absolute opinion, considers that there has been a material change to the insurances in respect of any Ship, the review of the Insurances pursuant to Clause 12.18; or

(e) any step taken by the Lender with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

**19.4 Documentary taxes**

The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Lender's demand, fully indemnify the Lender against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers to pay such a tax. For the avoidance of doubt, this Clause 19.4 does not apply to the Master Agreements.

**19.5 Certification of amounts**

A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 19 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

**20 INDEMNITIES**

**20.1 Indemnities regarding borrowing and reduction of Loan**

The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by the Lender, or which the Lender reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) a Tranche not being borrowed on the date specified in the relevant Drawdown Notice for any reason other than a default by the Lender;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrowers to make payment of any amount due under a Finance Document, on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrowers on the amount concerned under Clause 6);

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 18,

and in respect of any tax (other than tax on its overall net income) for which the Lender is liable in connection with any amount paid or payable to the Lender (whether for its own account or otherwise) under any Finance Document.

**20.2 Breakage costs**

Without limiting its generality, Clause 20.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by the Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of the Loan and/or any overdue amount (or an aggregate amount which includes the Loan or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender) to hedge any exposure arising under this Agreement or that part which the Lender determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating or otherwise in connection with, a number of transactions of which this Agreement is one.

**20.3 Miscellaneous indemnities**

The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by the Lender, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Lender or by any receiver appointed under a Finance Document;

(b) any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or wilful misconduct of the officers or employees of the Lender.

Without prejudice to its generality, this Clause 20.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law.

**20.4 Currency indemnity**

If any sum due from any Borrower or any Security Party to the Lender under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be

paid (the "**Contractual Currency**") into another currency (the "**Payment Currency**") for the purpose of:

(a) making or lodging any claim or proof against any Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment,

the Borrowers shall indemnify the Lender against the loss arising when the amount of the payment actually received by the Lender is converted at the available rate of exchange into the Contractual Currency.

In this Clause 20.4, the "**available rate of exchange**" means the rate at which the Lender is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 20.4 creates a separate liability of the Borrowers which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

**20.5 Certification of amounts**

A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

**20.6 Application to Master Agreements**

For the avoidance of doubt, Clause 20.4 does not apply in respect of sums due from the Borrowers to the Lender under or in connection with the Master Agreements as to which sums the provisions of Section 8 (Contractual Currency) of the Master Agreements shall apply.

**20.7 Environmental indemnity**

Without prejudice to its generality, Clause 20.3 covers any claims, demands, proceedings, liabilities, taxes, losses or expenses of every kind which arise, or are asserted, under or in connection with any law relating to safety at sea, pollution or the protection of the environment, the ISM Code or the ISPS Code.

**21 NO SET-OFF OR TAX DEDUCTION**

**21.1 No deductions**

All amounts due from the Borrowers under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which a Borrower is required by law to make.

**21.2 Grossing-up for taxes**

If any Borrower is required by law to make a tax deduction from any payment:

(a) that Borrower shall notify the Lender as soon as it becomes aware of the requirement;

(b) that Borrower shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises;

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that the Lender receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

**21.3 Evidence of payment of taxes**

Within one month after making any tax deduction, the Borrower concerned shall deliver to the Lender documentary evidence satisfactory to the Lender that the tax had been paid to the appropriate taxation authority.

**21.4 Exclusion of tax on overall net income**

In this Clause 20.7, "**tax deduction**" means any deduction or withholding for or on account of any present or future tax except tax on the Lender's overall net income.

**21.5 Application to Master Agreements**

For the avoidance of doubt, Clause 21 does not apply in respect of sums due from the Borrowers to the Lender under or in connection with the Master Agreements as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Agreements shall apply.

**22 ILLEGALITY, ETC.**

**22.1 Illegality**

This Clause 22 applies if the Lender notifies the Borrowers that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation,

for the Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

**22.2 Notification and effect of illegality**

On the Lender notifying the Borrowers under Clause 22.1, the Commitment shall terminate; and thereupon or, if later, on the date specified in the Lender's notice under Clause 22.1 as the date on which the notified event would become effective the Borrowers shall prepay the Loan in full in accordance with Clause 7.

**22.3 Mitigation**

If circumstances arise which would result in a notification under Clause 22.1 then, without in any way limiting the rights of the Lender under Clause 22.3, the Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the

circumstances but the Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage,

**23 INCREASED COSTS**

**23.1 Increased costs**

This Clause 23 applies if the Lender notifies the Borrowers that it considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law, or a regulation or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Lender's overall net income); or

(b) the effect of complying with any regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement or

(c) the implementation or application of or compliance with the "Basel III, a global regulatory framework for more resilient banks and banking systems", "Basel Ill: 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 **(**"**Basel III**"**)** or any other law or regulation which implements Basel III (whether such implementation, application or compliance is by a government, regulator or the Lender or a parent company or affiliate of it),

the Lender (or a parent company of it) has incurred or will incur an "**increased cost**"**.**

In this Clause 23 "**increased cost**" means:

(i) an additional or increased cost incurred as a result of, or in connection with, the Lender having entered into, or being a party to, this Agreement of funding or maintaining the Loan or performing its obligations under this Agreement, or of having outstanding all or any part of the Loan or other unpaid sums;

(ii) a reduction in the amount of any payment to the Lender under this Agreement, or in the effective return which such a payment represents to the Lender, or on its capital;

(iii) an additional or increased cost of funding or maintaining all or any of the advances comprised in a class of advances formed by or including the Loan or (as the case may require) the proportion of that cost attributable to the Loan; or

(iv) a liability to make a payment, which is calculated by reference to any amounts received or receivable by the Lender under this Agreement;

but not (aa) an item attributable to a change in the rate of tax on the overall net income of the Lender (or a parent company of it) or (bb) an item covered by the indemnity for tax in Clause 20.1 or by Clause 21.

For the purposes of this Clause 23.1 the Lender may in good faith allocate or spread costs among its assets and liabilities (or any class thereof) on such basis as it considers appropriate.

**23.2 Notification to Borrowers of claim for increased costs**

The Lender shall notify the Borrowers of any increased cost resulting from the introduction, application, implication or alteration of any regulations which may replace those set out in the statement of the Basle Committee on Banking Regulations and Supervisory Practices referred to in Clause 23.1, 30 days prior to seeking compensation from the Borrowers for the first time for such increased cost and consult with the Borrowers during such 30-day period.

**23.3 Payment of increased costs**

The Borrower shall pay to the Lender, on its demand, the amounts which the Lender from time to time notifies the Borrowers that it has specified to be necessary to compensate it for the increased cost.

**23.4 Notice of prepayment**

If the Borrower is not willing to continue to compensate the Lender for the increased cost under Clause 23.3, the Borrowers may give the Lender not less than 14 Business Days' notice of its intention to prepay the Loan at the end of an interest period.

**23.5 Prepayment**

A notice under Clause 23.3 shall be irrevocable; and on the date specified in its notice of intended prepayment, the Borrowers shall prepay (without premium or penalties) the Loan together with accrued interest thereon at the applicable rate plus the Margin.

**24 SET-OFF**

**24.1 Application of credit balances**

The Lender may without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of any Borrower at any office in any country of the Lender, including (without limitation) under the Master Agreements, in or towards satisfaction of any sum then due from the Borrowers to the Lender under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of either Borrower;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars;

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Lender considers appropriate.

**24.2 Existing rights unaffected**

The Lender shall not be obliged to exercise any of its rights under Clause 24.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of

accounts, charge, lien or other right or remedy to which the Lender is entitled (whether under the general law or any document).

**24.3 No Security Interest**

This Clause 24 gives the Lender a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of any Borrower.

**25 TRANSFERS AND CHANGES IN LENDING OFFICE**

**25.1 Transfer by Borrowers**

The Borrowers may not, without the prior consent of the Lender:

(a) transfer any of their respective rights, liabilities or obligations under any Finance Document; or

(b) enter into any merger, de-merger or other reorganisation, or carry out any other act, as a result of which any of, their rights or liabilities would vest in, or pass to, another person.

**25.2 Assignment by Lender**

The Lender may assign all or any of the rights and interests which it has under or by virtue of the Finance Documents with the consent of the Borrowers Provided that the consent of the Borrowers shall not be required (i) in the case of an Event of Default which is continuing or (ii) if the Lender assigns all or any part of its rights and interests to any consolidated entities within Commonwealth Bank of Australia. The consent of the Borrowers to an assignment or transfer must not be unreasonably withheld or delayed. Each Borrower will be deemed to have given its consent 5 Business Days after the Lender has requested it unless such consent is expressly refused by that Borrower within that time.

**25.3 Rights of assignee**

In respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document, or any misrepresentation made in or in connection with a Finance Document, a direct or indirect assignee of any of the Lender's rights or interests under or by virtue of the Finance Documents shall be entitled to recover damages by reference to the loss incurred by that assignee as a result of the breach or misrepresentation irrespective of whether the Lender would have incurred a loss of that kind or amount.

**25.4 Sub-participation; subrogation assignment**

The Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrowers; and the Lender may assign, in any manner and terms agreed by it, all or any part of those rights to an insurer or surety who has become subrogated to them.

**25.5 Disclosure of information**

The Lender may disclose to a potential assignee or sub-participant any information which the Lender has received in relation to any Borrower, any Security Party or their affairs under or in connection with any Finance Document, unless the information is clearly of a confidential nature.

**25.6 Change of lending office**

The Lender may change its lending office by giving notice to the Borrowers and the change shall become effective on the later of:

(a) the date on which the Borrowers receive the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

**25.7 Security over Lender's rights**

In addition to the other rights provided to the Lender under this Clause 25, the Lender may without consulting with or obtaining consent from the Borrowers or any Security Party, at any time charge, assign or otherwise create a Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of the Lender including, without limitation:

(a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and

(b) if the Lender is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by the Lender as security for those obligations or securities

except that no such charge, assignment or Security Interest shall:

(i) release the Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by the Borrowers or any Security Party or grant to any person any more extensive rights than those required to be made or granted to the Lender under the Finance Documents.

**26 VARIATIONS AND WAIVERS**

**26.1 Variations, waivers etc. by Lender**

Subject to Clause 26.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or the Lender's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax, by the Borrowers and the Lender and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

**26.2 Exclusion of other or implied variations**

Except for a document which satisfies the requirements of Clause 26.1, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Lender (or any person acting on its behalf) shall result in the Lender (or any person acting on its behalf) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by any Borrower or a Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

## 27 NOTICES

### 27.1 General

Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

### 27.2 Addresses for communications

A notice by letter or fax shall be sent:

(a) to the Borrowers:

c/o Approved Manager
16 Pendelis Street
175 64 Paleo Faliro
Athens
Greece

Attn: Chief Financial Officer

Fax No: +30 210 9470101

(b) to the Lender:

Senator House
85 Queen Victoria Street
London EC4V 4HA
United Kingdom

Attn: Simon Baker/William Barrand

Fax No: +44 207 71039

or to such other address as the relevant party may notify the other.

### 27.3 Effective date of notices

Subject to Clauses 27.4 and 27.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

### 27.4 Service outside business hours

However, if under Clause 27.3 a notice would be deemed to be served:

(a) on a day which is not a business day in the place of receipt; or

(b) on such a business day, but after 5 p.m. local time,

the notice shall (subject to Clause 27.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

**27.5 Illegible notices**

Clauses 27.3 and 27.4 do not apply if the recipient of a notice notifies the sender within hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

**27.6 Valid notices**

A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

**27.7 English language**

Any notice under or in connection with a Finance Document shall be in English.

**27.8 Meaning of "notice"**

In this Clause 27, "**notice**" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

**27.9 Electronic communications**

The Lender and the Borrowers agree that information may be sent via e-mail to each other, and to (or from) third parties involved in the provision of services. In particular, the Borrowers acknowledge that:

(a) the unencrypted information is transported over an open, publicly accessible network and can, in principle, be viewed by others, thereby allowing conclusions to be drawn about a banking relationship;

(b) the information can be changed and manipulated by a third party;

(c) the sender's identity (sender of the e-mail) can be assumed or otherwise manipulated;

(d) the exchange of information can be delayed or disrupted due to transmission errors, technical faults, disruptions, malfunctions, illegal interventions, network overload, the malicious blocking of electronic access by third parties or other shortcomings on the part of the network provider. In certain situations, time-critical orders and instructions might not be processed on time;

(e) the Lender assumes no liability for any loss incurred as a result of manipulation of the e-mail address or content by anyone other than the officers and/or employees of the Lender nor is it liable for any loss incurred by the Borrowers and any other Security Party due to interruptions and delays in transmission caused by technical problems.

The Lender is entitled to assume that all the orders and instructions, and communications in general, received from the Borrowers or a third party are from an authorised individual, irrespective of the existing signatory rights in accordance with the commercial register (or any other applicable equivalent document) or the specimen signatures provided to the Lender.

The Borrowers shall further procure that all third parties referred to herein agree with the use of e-mails and are aware of the above terms and conditions related to the use of e-mail.

## 28 JOINT AND SEVERAL LIABILITY

### 28.1 General

All liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clause 28.2, joint.

### 28.2 No impairment of Borrowers' obligations

The liabilities and obligations of a Borrower shall not be impaired by:

(a) this Agreement being or later becoming void, unenforceable or illegal as regards the other Borrower;

(b) the Lender entering into any rescheduling, refinancing or other arrangement of any kind with the other Borrower;

(c) the Lender releasing the other Borrower or any Security Interest created by a Finance Document; or

(d) any combination of the foregoing.

### 28.3 Principal debtors

Each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and neither Borrower shall in any circumstances be construed to be a surety for the obligations of the other Borrower under this Agreement.

### 28.4 Borrowers' guarantee under the Master Agreements

Each Borrower, unconditionally and irrevocably:

(a) guarantees as primary obligor and independent and without, in respect of its obligations under this Clause 28.4, any of the rights or defences of a surety, the due payment of all amounts payable by the other Borrower under or in connection with the Master Agreements;

(b) undertakes to pay to the Lender, on the Lender's demand, any such amount which is not paid by that Borrower when payable; and

(c) fully indemnifies the Lender in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by the Lender as a result of or in connection with any obligation or liability guaranteed by that Borrower being or becoming unenforceable, invalid, void or illegal; and the amount recoverable under this indemnity shall be equal to the amount which the Lender would otherwise have been entitled to recover.

**28.5 Subordination**

Subject to Clause 28.6, during the Security Period, neither Borrower shall:

(a) claim any amount which may be due to it from the other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or

(b) take or enforce any form of security from the other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of the other Borrower; or

(c) set off such an amount against any sum due from it to the other Borrower; or

(d) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving the other Borrower or other Security Party; or

(e) exercise or assert any combination of the foregoing.

**28.6 Borrower's required action**

If during the Security Period, the Lender, by notice to a Borrower, requires it to take any action referred to in paragraphs (a) to (d) of Clause 28.5, in relation to the other Borrower, that Borrower shall take that action as soon as practicable after receiving the Lender's notice.

**29 SUPPLEMENTAL**

**29.1 Rights cumulative, non-exclusive**

The rights and remedies which the Finance Documents give to the Lender are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

**29.2 Severability of provisions**

If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

**29.3 Counterparts**

A Finance Document may be executed in any number of counterparts.

**29.4 Third party rights**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

## 30 LAW AND JURISDICTION

### 30.1 English law

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

### 30.2 Exclusive English jurisdiction

Subject to Clause 30.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

### 30.3 Choice of forum for the exclusive benefit of the Lender

Clause 30.2 is for the exclusive benefit of the Lender, which reserves the rights:

(a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

No Borrower shall commence any proceedings in any country other than England in relation to a Dispute.

### 30.4 Process agent

Each Borrower irrevocably appoints Nicolaou & Co (for the attention of Antonis Nicolaou) at its registered office for the time being, presently at 25 Heath Drive, Potters Bar, Herts, EN6 1.EN, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

### 30.5 Lender's rights unaffected

Nothing in this Clause 30 shall exclude or limit any right which the Lender may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

### 30.6 Meaning of "proceedings"

In this Clause 30, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure and a "**Dispute**" means 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.

**THIS AGREEMENT** has been entered into on the date stated at the beginning of this Agreement.

**SCHEDULE 1**

**DRAWDOWN NOTICE**

To: COMMONWEALTH BANK OF AUSTRALIA
Senator House
85 Queen Victoria Street
London EC4V 4HA

Fax No.: [ ! ]

From: Taka Shipping Company Inc.
and
Fayo Shipping Company Inc.

*[date]*

**DRAWDOWN NOTICE**

1 We refer to the loan agreement (the "**Loan Agreement**") dated 9 January 2014 and made between ourselves, as joint and several Borrowers, and yourselves, as Lender, in connection with a loan facility of up to US$18,000,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow Tranche [A][B] as follows:

(a) Amount: US$[ ! ];

(b) Drawdown Date: [ ! ];

(c) [Duration of the first Interest Period shall be [ ! ] months;]

(d) Payment instructions: account of [Name of the Borrower] (Account No. xxx) with yourselves.

3 We represent and warrant that:

(a) the representations and warranties in Clause 9 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing;

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Tranche.

4 This notice cannot be revoked without the prior consent of the Lender.

5 [We authorise you to deduct all accrued commitment fee referred to in Clause 19 from the amount of the Tranche.]

[Name of Signatory]

.....
Authorised Signatory
for and on behalf of
**TAKA SHIPPING COMPANY INC.**
and
**FAYO SHIPPING COMPANY INC.**

**SCHEDULE 2**

**CONDITION PRECEDENT DOCUMENTS**

**PART A**

The following are the documents referred to in Clause 8.1(a).

1 A duly executed original of each Finance Document (and of each document required to be delivered by each Finance Document) other than those referred to in Part B of this Schedule 2.

2 Copies of the certificate of incorporation and constitutional documents of each Borrower and the Guarantor.

3 Copies of resolutions of the shareholders and directors of each Borrower authorising the execution of the Finance Documents to which that Borrower is a party and authorising named signatories to give the Drawdown Notices and other notices under this Agreement.

4 Copies of the resolutions of the executive committee of the Guarantor authorising the execution of the Finance Documents to which it is party.

5 The original of any power of attorney under which any Finance Document is to be executed on behalf of each Borrower or the Guarantor.

6 The originals of any mandates or other documents required in connection with the opening or operation of the Earnings Accounts.

7 Such evidence as the Lender may require as to the ultimate legal and beneficial shareholders in respect of the Borrowers and the Guarantor.

8 Documentary evidence that the agent for service of process named in Clause 30 has accepted its appointment.

9 If the Lender so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Lender.

10 A favourable legal opinion from lawyers appointed by the Lender on such matters concerning the laws of the Marshall Islands and such other relevant jurisdictions as the Lender may require.

11 Any documents as the Lender may require in respect of the Borrowers and any Security Party to satisfy the Lender's "know your customer" requirements and its other customary money laundering checks.

12 The Financial Statements of the Guarantor as described in clause 10.7 of the Loan Agreement.

13 Any other documents that the Lender may reasonably require in respect of the Borrowers and any Security Party.

**PART B**

The following are the documents referred to in Clause 8.1(b).

1 A duly executed original of each Account Pledge, the Mortgage and the General Assignment each in respect of the Ship to be financed by the relevant Tranche (the "**Relevant Ship**"**).**

2 Documentary evidence that:

(a) the Relevant Ship is definitively and permanently registered in the name of the relevant Borrower under an Approved Flag;

(b) the Relevant Ship is in the absolute and unencumbered ownership of the relevant Borrower save as contemplated by the Finance Documents;

(c) the Relevant Ship maintains the highest available class with such first class classification society which is a member of the IACS as the Lender may approve free of all recommendations and conditions of such classification society;

(d) a Mortgage has been duly registered against the Relevant Ship in accordance with the laws and requirements of the relevant Approved Flag State; and

(e) the Relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

3 Documents establishing that the Relevant Ship will, as from the relevant Drawdown Date, be managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) a letter of undertaking executed by the Approved Manager in favour of the Lender in the terms required by the Lender agreeing certain matters in relation to the management of the Relevant Ship and subordinating the rights of the Approved Manager against the Relevant Ship and the relevant Borrower to the rights of the Lender under the Finance Documents; and

(b) copies of the Approved Manager's Document of Compliance and of the Relevant Ship's SMC and ISSC (together with any other details of the applicable safety management system which the Lender requires).

4 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Marshall Islands, the applicable Approved Flag State and such other relevant jurisdictions as the Lender may require.

5 A favourable opinion from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances for the Relevant Ship as the Lender may require.

6 Two desktop valuations of the Relevant Ship, each addressed to the Lender, stated to be for the purposes of this Agreement and dated not earlier than 14 days before the relevant Drawdown Date, each issued in accordance with Clause 14.3, which show a value for the relevant Ship satisfactory to the Lender.

7 The financial statements of the Guarantor referred to in clause 10.6 of the Loan Agreement.

8 The certificates in respect of International Ship and Port Facility Security Code (ISPS) and the International Safety Management Code (including the guidelines on its implementation) (ISM), adopted by the International Maritime Organisation.

9 Documentary evidence that the agent for service of process named in Clause 30 has accepted its appointment.

10 Any other documents as the Lender may reasonably require in respect of the Borrowers and any Security Party.

11 If the Lender so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Lender.

Each of the documents specified in paragraphs 2, 3 and 6 of Part A and every other copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the Borrowers or a lawyer.

**EXECUTION PAGE**

**BORROWERS**

**SIGNED** by Andreas Nikolaos Michalopoulos ) /s/ Andreas Nikolaos Michalopoulos
for and on behalf of )
**TAKA SHIPPING COMPANY INC.** )

**SIGNED** by Anastasios Margaronis ) /s/ Anastasios Margaronis
for and on behalf of )
FAYO SHIPPING COMPANY INC. )
)
)
)
)
)

**LENDER**

**SIGNED** by )
for and on behalf of )
**COMMONWEALTH BANK OF AUSTRALIA** )
such execution being witnessed by:

Witness to all )
the above signatures (other than the Lender)

Name: VASSILIKI GEORGOPOULOS /s/ Vassiliki Georgopoulos
SOLICITOR
Address: WATSON, FARLEY & WILLIAMS
346 SYNGROU AVENUE
17674 KALLITHEA
ATHENS-GREECE

**Exhibit 4.20**

Date May 20, 2013

**DIANA SHIPPING INC.**
**as Lender**

**- and-**

**ELUK SHIPPING COMPANY INC.**
**as Borrower**

**- and-**

**DIANA CONTAINERSHIPS INC.**
**as Guarantor**

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**LOAN AGREEMENT**

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**relating to an unsecured term loan facility of up to US$50,000,000 to be used for general corporate purposes and working capital requirements**

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**THIS AGREEMENT** is made on May 20, 2013

**BETWEEN**

(1) DIANA SHIPPING INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Lender"),** as lender;

(2) ELUK SHIPPING COMPANY INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 and any wholly-owned subsidiary of the Guarantor that becomes an Additional Borrower pursuant to Section 12 hereof (each a **"Borrower",** collectively the "Borrowers"), as borrowers; and

(3) DIANA CONTAINERSHIPS INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Guarantor"),** as guarantor.

**BACKGROUND**

The Lender has agreed to make available to the Borrowers an unsecured term loan facility of up to Fifty million United States Dollars (US$50,000,000) in up to five (5) advances for general corporate purposes and working capital requirements.

**IT IS AGREED** as follows:

**1 INTERPRETATION**

**1.1 Definitions**.

**"Additional Borrower"** means any wholly-owned subsidiary of the Guarantor who becomes a party to this Loan Agreement pursuant to Section 12 by executing an Accession Agreement in substantially the form attached hereto as **Schedule Il** and an amended Note.

**"Advance(s)"** means any amount advanced to the Borrower with respect to the Loan pursuant to Section 2 or (as the context may require) the aggregate amount of all Advances for the time being outstanding;

**"Agreement"** means this unsecured term loan facility agreement, as the same shall be amended, modified or supplemented from time to time;

**"Availability Period"** means the period commencing on the date of this Agreement and ending on the date falling six (6) months after such date;

**"Back End Fee"** shall have the meaning ascribed thereto in Clause 10;

**"Banking Day(s)"** means day(s) on which banks are open for the transaction of business in Athens and New York;

**"Borrower(s)"** shall have the meaning ascribed thereto in the preamble and as the context may require shall include any Additional Borrowers;

**"Dollars" and** the sign "**$**" means the legal currency at any relevant time hereunder, of the United States of America;

"**Drawdown Date**" means in relation to an Advance, the date, being a Banking Day, upon which the Borrower requested that an Advance be made available to the Borrower, and such Advance is made, *as* provided in Section 2;

"**Drawdown** Notice" means a notice by which an Advance is requested to be made by the Borrower substantially in the form of Schedule 1 hereto;

"**Events of Default**" means any of the events or circumstances described in Clause 7;

"**Indebtedness**" means, as to the Borrower, without duplication, (i) all indebtedness of the Borrower for borrowed money or for the deferred purchase price of property or services, (ii) the maximum amount available to be drawn under all letters of credit, bankers' acceptances and similar obligations issued for the account of the Borrower and all unpaid drawings in respect of such letters of credit, bankers' acceptances and similar obligations, (iii) all indebtedness of the types described in clause (i), (ii), (iv), or (v) of this definition secured by any lien on any property owned by the Borrower, whether or not such indebtedness has been assumed by the Borrower (provided that, if the Borrower has not assumed or otherwise become liable in respect of such indebtedness, such indebtedness shall be deemed to be in an amount equal to the fair market value of the property to which such **lien** relates as determined in good faith by the Borrower, (iv) all contingent obligations of the Borrower, and (v) all obligations under any hedging agreement or under any similar type of agreement;

"**Interest Period**" means a period determined in accordance with Clause 5;

"**Lender**" shall have the meaning ascribed thereto in the preamble;

"**LIBOR**" means the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on REUTERS BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the Quotation Date for that Interest Period (and, for the purposes of this Agreement, "REUTERS BBA Page LIBOR 01" means the display designated as the "REUTERS BBA Page LIBOR 01" on the Reuters Money News Service or such other page as may replace REUTERS BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars);

"**Loan**" means the term loan to be made available to the Borrower by the Lender in an amount not exceeding Fifty million Dollars ($50,000,000) in up to five (5) advances pursuant to Section 2 hereof;

"**Margin**" means five per cent. per annum;

"**Note**" means the promissory note to be executed by a Borrower to the order of the Lender to evidence the Loan, substantially in the form set out in Exhibit A, which Note may be amended from time to time to reflect Additional Borrowers;

"**Prepayment Date**" shall have the meaning ascribed thereto in Clause 10;

"**Repayment Date**" means the fourth anniversary of the first Drawdown Date, on which day the Loan is to be repaid;

"**Vessels**" means any vessel purchased by a Borrower after the execution date of this Agreement.

**2 FACILITY**

**2.1 Amount of facility.** Subject to the other provisions of this Agreement, the Lender shall make available to the Borrowers the Loan in up to five (5) advances.

**2.2** **Purpose of Loan.** The Borrowers undertake to use the Loan for general corporate purposes, working capital requirements and for partially financing the acquisition cost of the Vessels; provided, however, that all Vessels shall be acquired by a Borrower within twelve (12) months of the execution of this Agreement.

**3 DRAWDOWN**

**3.I** **Request for Advance.** Subject to the following conditions, a Borrower may request an Advance be made by no later than 2 Banking Days prior to the intended Drawdown Date. A Borrower may request an Advance for up **to** the full undrawn portion of the Loan at any time. Any person becoming an Additional Borrower may request an Advance in an amount not exceeding the undrawn portion of the Loan and **all** Borrowers shall execute an amended and restated Note pursuant to which all Borrowers will be jointly and severally liable for the entirety of the Loan.

**3.2** **Availability.** The conditions referred to in Clause 3.1 are that:

a) the Drawdown Date has to be a Banking Day during the Availability Period; and

b) the aggregate amount of all Advances shall not *exceed* 550,0013,000.

**4 INTEREST**

**4.1** **Payment of normal interest.** Subject to the provisions of this Agreement, interest on the Loan in respect of each Interest Period shall be paid by the Borrowers on the last day of that Interest Period.

**4.2** **Normal rate of interest.** Subject to the provisions of this Agreement, the rate of interest on the Loan shall be the aggregate of (i) the Margin, and (ii) LIBOR for that Interest Period.

**5 INTEREST PERIODS**

**5.1** **Commencement of Interest Periods.** The first Interest Period applicable to an Advance shall commence on the Drawdown Date relative to that Advance and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

**5.2** **Duration of Interest Periods.** each Interest Period shall be:

a) 3 or 6 months; or

b) such other period as the Lender may agree with the Borrowers.

**6 REPAYMENT AND PREPAYMENT**

**6.1** **Repayment.** Subject to the provisions of this Section 6 regarding voluntary prepayments and the application thereof, each Borrower shall, on the Repayment Date, repay the principal amount of the Loan for which such Borrower is obligated under the applicable Note, and accrued interest thereon.

6.2 **Voluntary prepayment.** Each Borrower may prepay the whole or any part of the Loan, without penalty, at any time during the term of the Loan.

**7 EVENTS OF DEFAULT**

**7.1** **Events of Default.** An Event of Default occurs if*:*

a) a Borrower fails to pay when due or (if so payable) on demand any sum payable tinder this Agreement; or

b) any formal declaration of bankruptcy or any formal statement to the effect that any Borrower or the Guarantor is insolvent or likely to become insolvent is made by any third party; or a provisional liquidator is appointed in respect of the any or Guarantor, a winding up order is made in relation to the Borrower or Guarantor; or

c) any event occurs, any proceedings are opened or commenced or any step is taken which, in the opinion of the Lender is similar to any of the foregoing; or

d) a change of control, merger or acquisition with respect to any Borrower or the Guarantor; or

e) any Borrower fails to pay any Indebtedness in the outstanding principal amount equal to or exceeding Five Hundred Thousand Dollars ($500,000) or such Indebtedness is, or by reason of such default is subject to being, accelerated or any party becomes entitled to enforce the security for any such Indebtedness and such party shall take steps to enforce the same, unless such default or enforcement is being contested in good faith and by appropriate proceedings or other acts and the Borrower shall set aside on its books adequate reserves with respect thereto.

**7.2 Actions following an Event of Default. On,** or at any time after, the occurrence of an Event of Default the Lender may:

a) serve on the Borrowers a notice stating that all obligations of the Lender to the Borrowers under this Agreement are terminated, provided that no notice shall be required in connection with the events contemplated by 7.1(b) and (c); and/or

b) serve on the Borrowers a notice stating that the Loan, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand, provided that no notice shall be required in connection with the events contemplated by 7.1(b) and (c); and/or

c) take any other action which, as a result of the Event of Default or any notice served under paragraph (a) or (b), the Lender is entitled to take under any applicable law.

**7.3 Termination of Loan. On** the service of a notice under paragraph (a) of Clause 7.2, the Loan and all other obligations of the Lender to the Borrowers under this Agreement shall terminate.

**7.4 Acceleration of Loan.** On the service of a notice under paragraph (b) of Clause 7.2, the Loan, all accrued interest and all other amounts accrued or owing from the Borrowers under this Agreement shall become immediately due and payable or, as the case may be, payable on demand.

## 8 NOTICES

**8.1 General.** All notices, requests, demands and other communications to any party hereunder shall be in writing (including prepaid overnight courier, facsimile transmission or similar writing) and shall be given to the Borrowers, the Guarantor and the Lender at their respective address or facsimile number set forth below or at such other address or facsimile numbers as such party may hereafter specify for the purpose by notice to each other party hereto. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section 8.1 and telephonic confirmation **of** receipt thereof is obtained or (ii) if given by mail, prepaid overnight courier or any other means, when received at the address specified in this Section or when delivery at such address is refused.

**8.2** **Addresses for communications.** A notice shall be sent:

| | | |
|---|---|---|
| a) | to the Borrower: | Eluk Shipping Company Inc.<br>c/o Unitized Ocean Transport Limited<br>Pendelis 18, 175 64 Palaio Faliro<br>Athens<br>Greece |
| | Fax No. | +30 216 6002599 |
| b) | to the Guarantor: | Diana Containerships Inc.<br>c/o Unitized Ocean Transport Limited<br>Pendelis 18, 175 64 Palaio Faliro<br>Athens<br>Greece |
| | Fax No. | +30 216 6002599 |
| c) | to the Lender | Diana Shipping Inc.<br>Pendelis 16, 175 64 Palaio Faliro<br>Athens<br>Greece |
| | Fax No. | +30 210 9470 101 |

**9 COVENANTS**

**9.1** **Liens**. No Borrower shall create, assume or permit to exist, any mortgage, pledge, lien, charge, encumbrance or any security interest whatsoever upon any vessel acquired by such Borrower with respect to which a portion of the funding was obtained pursuant to the terms of this Agreement except (a) liens in favor of the Lender, (b) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation, deposits to secure public or statutory obligations, warehousemen's or other like liens, or deposits to obtain the release of such liens and deposits to secure surety, appeal or customs bonds on which such Borrower is the principal, as to all of the foregoing, only to the extent arising and continuing in the ordinary course of business or (c) other liens, charges, encumbrances, pledges and deposits to secure obligations incidental to the conduct of the business of each such party, the ownership of any such party's property and assets and which do not in the aggregate materially detract from the value of each such party's property or assets or materially impair the use thereof in the operation of its business.

**9.2** **Indebtedness**. No Borrower shall incur, and the Guarantor shall not incur and shall not permit any Borrower or any other subsidiary of the Guarantor to incur, any Indebtedness without the prior written consent of the Lender.

**10 FEES AND EXPENSES**

**10.1** **Back End Fee**. The Borrowers, jointly and severally, agree to pay to the Lender, on the earlier of the Repayment Date or any date on which a voluntary prepayment is paid pursuant to Section 6.2 hereof (each a "Prepayment Date"), a back end fee in an amount equal to one and one quarter per cent. per annum (1.25%) of (i) the total amount of the Loan outstanding, with respect to a repayment made on the Repayment Date, or (ii) the amount of any prepayment made on a Prepayment Date (the "Back End Fee"), provided that such Back End Fee shall not exceed, in the aggregate for all Borrowers, $2,500,000.

**11 GUARANTEE**

**11.1** **Guarantee and indemnity.** In order to induce the Lender to make the Loan to the Borrower, the Guarantor irrevocably and unconditionally:

a) guarantees, as a primary obligor and not merely *as* a surety, to Lender, the punctual payment and performance by each Borrower when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Borrower hereunder, whether for principal, interest, fees, expenses or otherwise (collectively, the **"Guaranteed Obligations");**

b) undertakes with the Lender that whenever any Borrower does not pay any Guaranteed Obligation when due, the Guarantor shall immediately on demand pay that Guaranteed Obligation as if it were the primary obligor; and

c) indemnifies the Lender immediately, on demand, against any cost, loss or liability suffered or incurred by the Lender if any Guaranteed Obligation is or becomes unenforceable, invalid or illegal.

**11.2** **Waiver of promptness, etc.** The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of non-performance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations.

**11.3** **Waiver of revocation.** The Guarantor hereby unconditionally and irrevocably waives any right to revoke this guarantee.

**12 ADDITIONAL BORROWERS**

12.1 The parties acknowledge and agree that one or more current or future wholly-owned subsidiaries of the Guarantor may become Additional Borrowers under the Loan Agreement by executing and delivering an Accession Agreement, in substantially the form attached hereto as **Schedule II,** and an amended and restated Note, pursuant to which such Addition Borrower(s) shall agree to be bound by all terms and provisions of the Loan Agreement and the Note, and the Guarantor hereby guarantees all Guaranteed Obligations of such Additional Borrower.

l2.2 Such Additional Borrowers shall be entitled to request Advances under this Loan Agreement in accordance with Section 3 hereof. In addition, the parties agree that all Borrowers shall be jointly and severally liable for all distributed before and after such Borrower became a party hereto.

**13 AMENDMENT**

13.1 No amendment or supplement to this Loan Agreement or the Note shall be made without the prior written consent of The Royal Bank of Scotland plc, *provided however*, that no consent shall be required with respect to an amendment or supplement made in accordance with Section 12 hereof.

**14 APPLICABLE LAW, JURISDICTION AND WAIVER**

14.1 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws thereof other than Sections 51401 and 5-1402 of the General Obligations Law of the State of New York.

14.2 Jurisdiction. The Borrowers and the Guarantor hereby irrevocably submits to the jurisdiction of the courts of the State of New York and of the United States District Court for the Southern District of New York in any action or proceeding brought against it by the Lender under this Agreement or under any document delivered hereunder. By executing and delivering this Agreement, each of the Borrowers and the Guarantor, for itself and in connection with its properties, hereby expressly and irrevocably (i) submits generally and unconditionally to the exclusive jurisdiction and venue of such courts, (ii) waives jurisdiction and venue of courts in any other jurisdiction in which it may be entitled to bring suit by reason of its present and future domicile or otherwise and any defense of forum non conveniens and (iii) agrees that service delivered to the addresses provided in Section 8 hereof and in accordance with Section 8 hereof is sufficient to confer personal jurisdiction over it in any such proceeding in any such court and (iv) agrees that such service is and would be effective and binding in every respect under the Federal Rules of Civil Procedure and the New York Practice Law and Rules, and the Borrower waives any defense or objection of insufficient service or service of process or of lack of personal jurisdiction. Notwithstanding anything herein to the contrary, the Lender may bring any legal action or proceeding in any other appropriate jurisdiction.

14.3 WAIVER OF IMMUNITY. TO THE EXTENT THAT ANY BORROWER OR THE GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM SUIT, JURISDICTION OF ANY COURT OR ANY LEGAL PROCESS (WHETHER THROUGH ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION, EXECUTION OF A JUDGMENT, OR FROM ANY OTHER LEGAL PROCESS OR REMEDY) WITH RESPECT TO ITSELF OR ITS PROPERTY, EACH BORROWER AND THE GUARANTOR EACH HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT, THE NOTE, AND ANY INTEREST RATE AGREEMENT.

**14.4 WAIVER OF JURY TRIAL. IT IS AGREED BETWEEN THE BORROWERS, THE GUARANTOR AND THE LENDER THAT EACH OF THEM HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER PARTY HERETO ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED** WITH **THIS AGREEMENT AND THE NOTE.**

**THIS AGREEMENT** has been entered into on the date stated at the beginning of this Agreement.

**BORROWER**

| | |
|---|---|
| **SIGNED** by | ) |
| Margarita Veniou | )/s/ Margarita Veniou |
| for and on behalf of | ) |
| **Eluk Shipping Company Inc.** | ) |
| in the presence of: | ) |
| Ioannis Zafirakis | |

**GUARANTOR**

| | |
|---|---|
| **SIGNED** by | ) |
| Anastasios Margaronis | )/s/ Anastasios Margaronis |
| for and on behalf of | ) |
| **Diana Containerships Inc.** | ) |
| in the presence of: | ) |
| Ioannis Zafirakis | |

**LENDER**

| | |
|---|---|
| **SIGNED** by | )/s/ Simeon Palios |
| Simeon Palios | ) |
| for and on behalf of | ) |
| **Diana Shipping Inc.** | ) |
| in the presence of: | ) |
| Ioannis Zafirakis | |

**SCHEDULE I**

**DRAWDOWN NOTICE**

To: Diana Shipping Inc.
Greece

Attention:

[ ]

**DRAWDOWN NOTICE**

We refer to the loan agreement (the "**Loan Agreement**") dated May , 2013 and made between ourselves, as Borrower, and yourselves as Lender in connection with a facility of up to Fifty million Dollars ($50,000,000). Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

We request to borrow as follows:

Amount of Advance: $[ ];

Drawdown Date: [ ];

Duration of the first Interest Period shall be [ ] months; and

Payment instructions: account in our name and numbered [ ] with [ ] of [ ].

We represent and warrant that:

no Event of Default or potential Event of Default has occurred or will result from the borrowing of the Advance.

This notice cannot be revoked without the prior consent of the Lender.

[name of signatory]

---
Chief Financial Officer
For and on behalf of
**Diana Containerships Inc.**

ACCESSION AGREEMENT

to

LOAN AGREEMENT

dated as of May , 2012

as further amended or supplemented

by and between

**DIANA SHIPPING INC.**

as Lender

- and-

**ELUK SHIPPING COMPANY INC.**

as Borrower

- and-

**DIANA CONTAINERSHIPS INC.**

as Guarantor

, 2013

ACCESSION AGREEMENT

to

LOAN AGREEMENT

THIS ACCESSION AGREEMENT TO LOAN AGREEMENT dated as of May , 2013, (the "Loan Agreement") is made as of the day of (the "Accession Agreement"), by and among Diana Shipping Inc., a corporation incorporated under the laws of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Lender"),** as lender; Eluk Shipping Company Inc., a corporation incorporated under the laws of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960, and (the **"Borrower"),** as borrower; and Diana Containerships Inc., a corporation incorporated under the laws of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960, as guarantor (the **"Guarantor").** Unless otherwise defined herein, the capitalized terms used herein shall have the meanings assigned to such terms in the Loan Agreement.

**WITNESSETH THAT:**

**WHEREAS, the Lender,** the Borrower(s) and the Guarantor desire that (the "Additional Borrower(s)"), becomes an additional Borrower under the Loan Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as set forth below:

1. Amendments to the Loan Agreement. The parties hereto agree that effective as of the date hereof the Loan Agreement is amended as follows (a) All references in the Loan Agreement to "this Agreement" shall be deemed to refer to the Loan Agreement as amended and supplemented hereby;

2. Binding Nature. The Additional Borrower(s) agrees to be bound by all terms and provisions of the Loan Agreement and the Note applicable to it as a Borrower.

3. Consent. Agreement and Re-Affirmation. The Guarantor hereby reaffirms its obligations under the Loan Agreement of the obligations of the Borrower to the Lender under or in connection with the Loan Agreement, as amended hereby.

4. No Other Amendment. Except as amended hereby, the terms and conditions of the Loan Agreement shall remain in full force and effect and the Loan Agreement shall be read and construed as if the terms of this Accession Agreement were included therein by way of addition or substitution, as the case may be.

5. Counterparts. This Accession Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed to be an original but all such counterparts shall constitute but one and the same agreement.

6. Notices. Addresses for communications shall be sent to the Additional Borrower(s) at the following in accordance with Section 8.2 of the Loan Agreement:

7. Governing. Law. This Accession Agreement shall be governed by and construed in accordance with the laws of the State of New York.

8. Accession Agreement Effective Date. All references to the Loan Agreement on and after the date hereof shall be deemed to refer to the Loan Agreement as amended and supplemented hereby, and the parties hereto agree that on and after the date hereof, the Loan Agreement, as amended and supplemented hereby, is in full force and effect.

**[Signature Pages FoIlow]**

TIHS ACCESSION AGREEMENT has been entered **into** on the date stated at the beginning of this Agreement.

**ADDITIONAL BORROWER**

**SIGNED** by )
)
for and on behalf of )
)
in the presence of: )

**GUARANTOR**

**SIGNED** by )
)
for and on behalf of )
**Diana Containerships Inc.** )
in the presence of: )

**LENDER**

**SIGNED** by )
)
for and on behalf of )
**Diana Shipping Inc.** )
in the presence of: )

**Exhibit 4.21**

**ADMINISTRATIVE SERVICES AGREEMENT**

THIS ADMINISTRATIVE SERVICES AGREEMENT (as the same may be amended or modified from time to time, the "**Agreement**"), dated as of October 1, 2013, is made by and between DIANA SHIPPING INC., a Marshall Islands corporation (the "**Company**"), and DIANA SHIPPING SERVICES S.A., a Marshall Islands corporation and a wholly-owned subsidiary of the Company (the "**Manager**").

WHEREAS, the Company is in the business of acquiring, owning and operating a fleet of dry bulk vessels (each a "**Vessel**" and collectively the "**Vessels**"), indirectly through separate wholly-owned subsidiaries (each a "Vessel **Owning Subsidiary**" and collectively the "**Vessel Owning Subsidiaries**");

WHEREAS, each Vessel Owning Subsidiary has entered into, and any Vessel Owning Subsidiary acquired or formed in the future will enter into, separate commercial and technical management agreements with the Manager pursuant to which the Manager will provide each Vessel Owning Subsidiary with commercial and technical management services for each owned Vessel;

WHEREAS, the Company desires to enter into this Agreement with the Manager to engage the Manager to provide certain administrative services to the Company, and the Manager desires to provide such administrative services to the Company, on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and premises of the Parties hereto and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

**1. DEFINITIONS AND INTERPRETATION**

**1.1 Certain Definitions.** In this Agreement, including the recitals hereto, unless the context requires otherwise, the following terms shall have the respective meanings set forth below:

"**Administrative Management Services**" has the meaning ascribed to such term in Section 3.

"**Affiliates**" means, with respect to any Person as at any particular date, any other Persons that directly or indirectly, through one or more intermediaries, are Controlled by, Control or are under common Control with the Person in question, and "**Affiliate**" means any one of them.

"**Applicable Laws**" means, in respect of any Person, property, transaction or event, all laws, statutes, ordinances, regulations, municipal by-laws, treaties, judgments and decrees applicable to that Person, property, transaction or event, all applicable official directives, rules, consents, approvals, authorizations, guidelines, orders, codes of practice and policies of any

Governmental Authority having authority over that Person, property, transaction or event and having the force of law, and all general principles of common law and equity.

"**Approved Budget**" has the meaning ascribed to such term in Section 3.4(c).

"**Board of Directors**" means the board of directors of the Company, as the same may be constituted from time to time.

"**Books and Records**" means all books of accounts and records, including tax records, sales and purchase records, Vessel records, computer software, formulae, business reports, plans and projections and all other documents, files, correspondence and other information of the Company with respect to the Vessels or the Business (whether or not in written, printed, electronic or computer printout form).

"**Business**" means the Company's business of owning, operating and/or chartering or rechartering dry bulk vessels to other Persons and any other lawful act or activity customarily conducted in conjunction therewith.

"**Business Day**" means a day other than a Saturday, Sunday or statutory holiday on which the banks in New York, New York are required to close.

"**Charter**" means a charter party agreement between the Company (or a Vessel Owning Subsidiary of the Company) and any Person that relates to any of the Vessels (including any voyage or spot charters), and "**Charters**" means all such charter party agreements.

"**Charterer**" means any Person that has entered or enter into, or assumed or assume the obligations under, by novation or otherwise, a Charter with the Company (or a Vessel Owning Subsidiary of the Company).

"**Chief Financial Officer**" means the chief financial officer of the Company.

"**Common Shares**" has the meaning ascribed to such term in the recitals to this Agreement.

"**Company Indemnified Persons**" has the meaning ascribed to such term in Section 7.3.

"**Confidential Information**" means all nonpublic or proprietary information or data (including all oral and visual information or data recorded in writing or in any other medium or by any other method) relating to a Disclosing Party that is obtained from the Disclosing Party or any third party on the Disclosing Party's behalf, at any time before, simultaneously with, or after the execution of this Agreement; and, without prejudice to the general nature of the foregoing definition, the term Confidential Information shall include, but not by way of limitation, (i) information regarding the Disclosing Party's existing or proposed operations, business plans, market opportunities, and business affairs and (ii) any information ascertainable by inspection of Confidential Information disclosed to the Receiving Party or by the analysis of any materials supplied to the Receiving Party. Notwithstanding the foregoing, Confidential Information shall not include any information which (x) is public knowledge at the time of disclosure or which subsequently becomes public knowledge other than as a result of a breach of this Agreement; (y)

the Receiving Party can show was made available to it by some other Person who had a right to do so and who was not subject to any obligation of confidentiality or restricted use regarding such information; or (z) was developed by the Receiving Party independently without use of any confidential information provided hereunder or by a third party in breach of its confidentiality obligations.

"**Control**" or "**Controlled**" means, with respect to any Person, the right to elect or appoint, directly or indirectly, a majority of the directors of such Person or a majority of the Persons who have the right, including any contractual right, to manage and direct the business, affairs and operations of such Person, or the possession of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of Voting Securities, by contract, or otherwise.

"**Costs and Expenses**" has the meaning ascribed to such term in Section 6.1.

"**Credit Facility**" means any credit facility agreement to which any Company or any Subsidiary of the Company may be a party from time to time.

"**Disclosing Party**" means a Party who has disclosed Confidential Information hereunder to the other Party or on whose behalf Confidential Information has been disclosed to the other Party.

"**Dividend**" means any cash dividend paid by the Company on all outstanding Common Stock.

"**Draft Budget**" has the meaning ascribed to such term in Section 3.4(a).

"**Dry Bulk Vessel**" means a vessel which is specially designed and built to carry large volumes of cargo in bulk cargo form.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Executive Committee**" means the Executive Committee of the Company.

"**Fiscal Quarter**" means a fiscal quarter for the Company.

"**Fiscal Year**" means the fiscal year of the Company, being the twelve-month period ending December 31.

"**Force Majeure Event**" has the meaning ascribed to such term in Section 9.2.

"**GAAP**" means generally accepted accounting principles consistently applied in the United States.

"**Governmental Authority**" means any domestic or foreign government, including any federal, provincial, state, territorial or municipal government, any multinational or supranational organization, any government agency (including the SEC), any tribunal, labor relations board, commission or stock exchange (including the New York Stock Exchange), and any other

authority or organization exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government.

"**Initial Term**" has the meaning ascribed to such term in Section 8.1.

"**Legal Action**" means any action, claim, complaint, demand, suit, judgment, investigation or proceeding, pending or threatened, by any Person or before any Governmental Authority.

"**Lenders**" means the lenders, facility agent, security trustee, swap banks, swap agent or other financial institution contemplated by any Credit Facility.

"**Losses**" means losses, expenses, costs, liabilities and damages, excluding lost profits and consequential damages, but including interest charges, penalties, fines and monetary sanctions.

"**Management Fee**" has the meaning ascribed to such term in Section 6.1.

"**Manager Indemnified Persons**" has the meaning ascribed to such term in Section 7.2.

"**Manager Misconduct**" has the meaning ascribed to such term in Section 7.1(a).

"**Manager's Personnel**" means all individuals who are employed by or have entered into consulting arrangements with the Manager or any subcontractor under Section 2.3.

"**Other Financing Agreements**" has the meaning ascribed to such term in Section 3.2(b).

"**Parties**" means the Company and the Manager.

"**Person**" means an individual, corporation, limited liability company, partnership, joint venture, trust or trustee, unincorporated organization, association, Governmental Authority or other entity.

"**Purpose**" has the meaning ascribed to such term in Section 9.3(a).

"**Questioned Items**" has the meaning ascribed to such term in Section 3.4(b).

"**Receiving Party**" means a Party to whom Confidential Information of a Disclosing Party has been disclosed hereunder.

"**Renewal Term**" has the meaning ascribed to such term in Section 8.2.

"**SEC**" means the United States Securities and Exchange Commission.

"**Subsidiary**" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Persons Controlled by

such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Person Controlled by such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, one or more Persons Controlled by such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Persons Controlled by such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"**Term**" means the Initial Term and any Renewal Term, in each case subject to any early termination of this Agreement as permitted herein.

"**Voting Securities**" means securities of all classes of a Person entitling the holders thereof to vote on a regular basis in the election of members of the board of directors or other governing body of such Person.

**1.2 Construction**. In this Agreement, unless the context requires otherwise:

(a) references to laws and regulations refer to such laws and regulations as they may be amended from time to time, and references to particular provisions of a law or regulation include any corresponding provisions of any succeeding law or regulation;

(b) references to money refer to legal currency of the United States;

(c) "including" means "including, without limitation," whether or not so expressed;

(d) words importing the singular include the plural and vice versa, and words importing gender include all genders; and

(e) a reference to an "approval," "authorization," "consent," "notice" or "agreement" means an approval, authorization, consent, notice or agreement, as the case may be, in writing.

**1.3 Headings**. All article or section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof.

## 2. ENGAGEMENT OF MANAGER

**2.1 Engagement.** The Company hereby engages the Manager to provide, upon the Company's request, the Administrative Management Services specified in Section 3, below, and the Manager hereby accepts such engagement, all in accordance with the terms of this Agreement. The Company and the Manager each acknowledge that to the extent set out in this Agreement, the Manager is acting solely on behalf of, as agent of and for the account of the Company. The Manager shall advise Persons with whom it deals on behalf of the Company that it is conducting such business for and on behalf of the Company.

**2.2 Powers and Duties of the Manager.** The Manager has the power and authority to take such actions on its own behalf or on behalf of the Company as it from time to time considers necessary or appropriate to enable it to perform its obligations under this Agreement, subject to customary oversight and supervision of the Company, its Board of Directors and its executive officers.

**2.3 Ability to Subcontract.** The Manager may subcontract any of its duties and obligations hereunder to provide Administrative Management Services to any of its Affiliates without the consent of the Company and may subcontract its duties and obligations hereunder to provide Administrative Management Services to Persons that are not Affiliates with the prior written consent of the Company. In the event of any subcontract by the Manager, the Manager shall promptly notify the Company thereof and shall remain fully liable for the due performance of its obligations under this Agreement.

**2.4 Outside Activities.** The Company acknowledges that the Manager may engage in business activities in addition to those relating to the Company provided that such activities do not interfere with the Manager's provision of the Administrative Management Services.

**2.5 Authority of the Parties.** Each Party represents to the other that it is duly authorized with full power and authority to execute, deliver and perform its obligations under this Agreement. The Company represents that the engagement of the Manager has been duly authorized by the Company and is in accordance with all governing documents of the Company.

**2.6 Inspection of Books and Records.** At all reasonable times and on reasonable notice, any Person authorized by the Company may inspect, examine, copy and audit the Books and Records of the Company kept by the Manager pursuant to this Agreement.

## 3. ADMINISTRATIVE SERVICES

The Manager shall provide to the Company the services described in this Section 3 (collectively, the "**Administrative Management Services**"). **3.1 Accounting and Records.** The Manager shall, on behalf of the Company, establish an accounting system, including the development, implementation, maintenance and monitoring of internal control over financial reporting and disclosure controls and procedures, and maintain Books and Records, with such modifications as may be necessary to comply with Applicable Laws. The Books and Records shall contain particulars of receipts and disbursements relating to the Company's assets and liabilities and shall be kept pursuant to normal commercial practices that will permit financial statements to be prepared for the Company in accordance with GAAP. The Books and Records shall be the property of the Company but shall be kept at the Manager's primary office or such other place as the Company and the Manager may mutually agree. Upon expiration or termination of this Agreement, all of the Books and Records shall, at the direction of the Company, be provided to the Company or a new manager pursuant to Section 8.4(b).

**3.2 Reporting Requirements.** The Manager shall provide assistance/ prepare and deliver to the Company, including, but not limited to, the following within time periods requested by the relevant party and required by applicable laws (including SEC):

(a) periodic consolidated financial statements, including but not limited, those required for governmental and regulatory agency filings and reports to shareholders, arranging of the auditing and/ or review of any such financial statements and related data processing services;

(b) periodic and other reports proxy statements, registration statements and other documents and reports required by applicable law (including rules and regulations promulgated by the SEC);

(c) tax returns required by any law or regulatory authority (or procuring at the Company's cost, a third party service provider to prepare and provide);

(d) arranging for the provision of advisory services (either directly or, at the Company's cost, through a third party service provider) to ensure that the Company is in compliance with all the applicable laws, including all relevant securities laws, including the preparation for review, approval and filing by the Company of reports and other documents with the SEC, ay securities exchange on which its shares are listed and all other regulatory authorities having jurisdiction over the Company;

(e) reports to be considered by the Board of Directors (or any applicable Committee thereof) in accordance with the Company's internal policies and procedures.

**3.3 Budgets and Corporate Planning**.

(a) Draft Budgets

On or before December 15 of each year, the Manager, in consultation with the Company, shall prepare and submit to the Board of Directors a detailed draft budget for the next Fiscal Year in a format acceptable to the Board of Directors and generally used by the Manager, which shall include a statement of estimated revenue and out of pocket expenses (the "**Draft Budget**").

(b) Process for Finalizing the Draft Budget.

For a period of twenty (20) days after receipt of the Draft Budget, the Board of Directors may request further details and submit written comments on the Draft Budget. If, after reviewing the Draft Budget, the Company does not agree with any term thereof, the Company shall, within the same twenty (20) day period, give the Manager notice of such disagreements and terms (the "**Questioned Items**") and a proposal for resolution of each such Questioned Item. The Company and the Manager shall endeavor to resolve any such differences between them with respect to the Questioned Items. In resolving any Questioned Item, the Company and the Manager shall consider, among other things, the Company's obligations under any relevant Charter, Credit Facility, or Other Financing Agreement.

(c) Approved Budget.

The Manager shall use its commercially reasonable efforts to prepare and deliver to the Company a revised budget that has been approved by the Board of Directors (the "**Approved Budget**") by December 31 of the preceding Fiscal Year. However, the Company acknowledges that the Approved Budget is only an estimate of the performance of the Vessels and the Manager

makes no assurance, representation or warranty that the actual performance of the Vessels in the applicable Fiscal Year will correspond to the estimates contained in the Approved Budget for such Fiscal Year. The Parties acknowledge that any projections contained in the Approved Budget are subject to and may be affected by changes in financial, economic and other conditions and circumstances beyond the control of the Parties.

(d) Amendments to Approved Budget.

The Manager may, from time to time, in any Fiscal Year propose amendments to the Approved Budget upon at least fifteen (15) days prior notice to the Company, in which event the Company shall have the right to approve the amendments in accordance with the process set out in Section 3.4(b), with the relevant time periods being amended accordingly. Whenever, due to circumstances beyond the reasonable control of the Manager, emergency expenditures are required to ensure that any Vessels are operated and maintained as required under any applicable Charters, the Manager may make such emergency expenditures and reasonably request prompt reimbursement thereof, to the extent that such items are the responsibility of the Company, even if such expenditures are not included or reflected in the Approved Budget.

**3.4 Legal and Securities Compliance Services**.

(a) Responsibilities of the Manager.

The Manager shall assist the Company with the following items, whether or not related to any of the Vessels:

(i) compliance with all Applicable Laws, including all relevant securities laws and the rules and regulations of the SEC and any securities exchange upon which the Company's securities are listed;

(ii) arranging for the provision of advisory services to the Company with respect to the Company's obligations under applicable securities laws in the United States and disclosure and reporting obligations under applicable securities laws, including the preparation for review, approval and filing by the Company of reports and other documents with the SEC and all other applicable regulatory authorities;

(iii) maintaining the Company's corporate existence and good standing in all necessary jurisdictions and assisting in all other corporate and regulatory compliance matters; and

(iv) conducting investor relations functions on behalf of the Company.

(b) Administration and Settlement of Legal Actions.

If any Legal Action is commenced against or is required to be commenced in favor of the Company or any Vessel Owning Subsidiary, the Manager shall arrange for the commencement or defense of such Legal Action, as the case may be, in the name of, on behalf of and at the expense of the Company or Vessel Owning Subsidiary, including retaining and instructing legal counsel, investigating the substance of the Legal Action and entering pleadings with respect to

the Legal Action. The Manager shall assist the Company in administering and supervising any such Legal Actions and shall keep the Company advised of the status thereof.

(c) Interaction with Regulatory Authorities.

Notwithstanding anything in this Section 3 or otherwise, the Manager shall not act for or on behalf of the Company in its relationships with regulatory authorities except to the extent specifically authorized by the Company from time to time.

**3.5 Bank Accounts.**

(a) Administration by Manager.

The Manager shall oversee banking services for the Company and shall establish in the name of the Company banking accounts with such financial institutions as the Company may request. The Manager shall administer and manage all of the Company's cash and accounts, including making any deposits and withdrawals reasonably necessary for the management of its business and day-to-day operations. The Manager shall promptly deposit all moneys payable to the Company and received by the Manager into a bank account held in the name of the Company.

(b) Payments from Operating Account.

The Company shall ensure that all charter hire associated with each Charter is paid by the applicable Charterer into the operating account. Unless otherwise instructed by the Company, the Manager shall instruct the financial institutions at which the accounts have been established to pay from the operating account, as and when required, amounts payable under any Credit Facility or Other Financing Agreement.

**3.6 Other Administrative Management Services**.

The Manager shall:

(a) develop, maintain and monitor internal audit controls, disclosure controls and information technology for the Company;

(b) assist with arranging board meetings and preparing board and committee meeting materials, including, as applicable, agendas, discussion papers, analyses and reports;

(c) prepare and provide such reports and accounting information so as to permit the Board of Directors to determine the amount of the cash available for the payment of dividends to the Company's shareholders, and to assist the Company in making arrangements with the Company's transfer agent for the payment of dividends, if any, to the shareholders;

(d) obtain, on behalf of the Company, general insurance, director and officer liability insurance and other insurance of the Company not related to the Vessels that would normally be obtained for a company in a similar business to that of the Company;

(e) administer payroll services, benefits and directors fees, as applicable, for the officers, other employees or directors of the Company;

(f) provide office space and office equipment for personnel of the Company at the location of the Manager or as otherwise reasonably designated by the Company, and clerical, secretarial, accounting and administrative assistance as may be reasonably necessary;

(g) provide all administrative services required in connection with any Credit Facility or Other Financing Agreement;

(h) negotiate and arrange for interest rate swap agreements, foreign currency contracts and forward exchange contracts;

(i) monitor the performance of investment managers;

(j) at the request and under the direction of the Company, handle all administrative and clerical matters in respect of (i) the call and arrangement of all annual and special meetings of shareholders, (ii) the preparation of all materials (including notices of meetings and proxy or similar materials) in respect thereof and (iii) the submission of all such materials to the Company in sufficient time prior to the dates upon which they must be mailed, filed or otherwise relied upon so that the Company has full opportunity to review, approve, execute and return them to the Manager for filing or mailing or other disposition as the Company may require or direct;

(k) provide, at the request and under the direction of the Company, such communications to the transfer agent for the Company as may be necessary or desirable;

(l) make recommendations to the Company for the appointment of auditors, accountants, legal counsel and other accounting, financial or legal advisers, and technical, commercial, marketing or other independent experts; *provided, however,* that nothing herein shall permit the Manager to engage any such adviser or expert for the Company without the Company's specific approval;

(m) attend to all matters necessary for any reorganization, bankruptcy or insolvency petitions or proceedings, liquidation, dissolution or winding up of the Company;

(n) attend to all other administrative matters necessary to ensure the professional management of the Company's business or as reasonably requested by the Company from time to time.

## 4. EMPLOYEES AND MANAGER'S PERSONNEL

**4.1 Manager's Personnel.** The Manager shall provide the Administrative Management Services hereunder through the Manager's Personnel. The Manager shall be responsible for all aspects of the employment or other relationship of the Manager's Personnel as required in order for the Manager to perform its obligations hereunder, including recruitment, training, staffing levels, compensation and benefits, supervision, discipline and discharge, and other terms and conditions of employment or contract. However, the Manager shall remain directly responsible and liable to the Company to carry out all of its obligations under this Agreement, whether

performed directly or subcontracted to another Person, and the Manager shall be responsible for the compensation and reimbursement of all such other Persons.

## 5. COVENANTS OF THE MANAGER

The Manager hereby agrees and covenants with the Company that, during the Term, the Manager shall:

(a) exercise all due care, skill and diligence in carrying out its duties under this Agreement as required by Applicable Laws;

(b) provide the Chief Financial Officer, the Executive Committee and the Board of Directors with all information in relation to the performance of the Manager's obligations under this Agreement as the Chief Financial Officer, the Executive Committee or the Board of Directors may reasonably request;

(c) use its reasonable best efforts to have all material property of the Company clearly identified as such, held separately from property of the Manager and, where applicable, in safe custody;

(d) use its reasonable best efforts to have all property of the Company (other than money to be deposited to any bank account of the Company) transferred to or otherwise held in the name of the Company or any nominee or custodian appointed by the Company;

(e) use its reasonable best efforts to cause (i) the Company to own or possess all licenses that are necessary and used in the operation of its business as of the date hereof, (ii) all such licenses to be in full force and effect at all times, and (iii) all required filings with respect to such licenses to be timely made and all required applications for renewal thereof to be timely filed;

(f) use its reasonable best efforts to retain at all times a qualified staff so as to maintain a level of expertise sufficient to provide the Administrative Management Services; and

(g) use its reasonable best efforts to keep full and proper books, records and accounts showing clearly all transactions relating to its provision of Administrative Management Services in accordance with established general commercial practices and in accordance with GAAP, and allow the Company and its representatives to audit and examine such books, records and accounts at any time during customary business hours.

## 6. MANAGER'S COMPENSATION AND REIMBURSEMENT

**6.1 Fees for Administrative Management Services; Reimbursement.** In consideration for the provision of the Administrative Management Services by the Manager to the Company, the Company shall pay the Manager a monthly management fee (the "**Management Fee**") in the amount of US$10,000.00 (ten thousand United States dollars) in accordance with Section 6.2. In addition, the Company shall reimburse the Manager for all of the reasonable direct and indirect

costs and expenses incurred by the Manager and its Affiliates in providing the Administrative Management Services (the "**Costs and Expenses**").

**6.2 Invoicing.** The Manager shall, in good faith, determine the expenses related to the Administrative Management Services that are allocable to the Company in any reasonable manner determined by the Manager and shall provide to the Company on a quarterly basis an invoice for the reasonable costs and expenses to be paid pursuant to Section 6.1, which invoice shall contain a description in reasonable detail of the costs and expenses that comprise the aggregate amount of the payment being invoiced. The Manager shall maintain the records of all costs and expenses incurred, including any invoices, receipts and supplementary materials as are necessary or proper for the settlement of accounts between the Parties. The Company shall pay such invoices within thirty (30) days of receipt, unless the invoice is being disputed in accordance with this Agreement.

## 7. LIABILITY OF THE MANAGER; INDEMNIFICATION

**7.1 Liability of the Manager.** The Manager shall not be liable to the Company for any Loss arising from the Administrative Management Services unless and to the extent that such Loss resulted from:

(a) the fraud, gross negligence, recklessness or willful misconduct of the Manager or any of its Affiliates (other than the Company) or any of their respective employees, agents or subcontractors ("**Manager Misconduct**"); or

(b) any breach of this Agreement by the Manager or any of its Affiliates (other than the Company).

**7.2 Manager Indemnification.** The Company shall indemnify and hold harmless the Manager and its directors, officers, employees, subcontractors and Affiliates (the "**Manager Indemnified Persons**") from and against any and all Losses incurred or suffered by the Manager Indemnified Persons by reason of or arising from or in connection with their performance of this Agreement or any third-party Legal Action brought or threatened against such Manager Indemnified Persons in connection with their performance of this Agreement, other than for any Losses to the extent related to or that resulted from:

(a) any liabilities or obligations that the Manager has agreed to pay or for which the Manager is otherwise expressly responsible under this Agreement;

(b) Manager Misconduct; or

(c) any breach of this Agreement by the Manager or any of its Affiliates (other than the Company).

**7.3 Company Indemnification.** The Manager shall indemnify and hold harmless the Company and the Company's directors, officers, employees, subcontractors and Affiliates (the "**Company Indemnified Persons**") from and against any and all Losses incurred or suffered by the Company Indemnified Persons, to the extent related to or that resulted from:

(a) any liabilities or obligations that the Manager has agreed to pay or for which the Manager is otherwise expressly responsible under this Agreement;

(b) Manager Misconduct; or

(c) any breach of this Agreement by the Manager or any of its Affiliates (other than the Company).

## 8. TERM AND TERMINATION

**8.1 Initial Term.** The initial term of this Agreement shall commence on the date hereof and end on the first anniversary of the date hereof, unless terminated earlier pursuant to this Agreement (the "**Initial Term**").

**8.2 Renewal Term.** This Agreement will, without any further act or formality on the part of either Party, on the expiration of the Initial Term or any Renewal Term, be automatically renewed for a further term of twelve (12) months (each a "**Renewal Term**") unless terminated in accordance with Section 8.3.

**8.3 Termination.** This Agreement may be terminated by either party upon not less than thirty (30) days prior written notice, or may be terminated immediately (i) at the election of the Company if, at any time, the Company ceases to own all of the issued and outstanding common shares of the Manager, (ii) at the election of the Company if, at any time, the Manager materially breaches this Agreement or (iii) at the election of the Manager if, at any time, the Company materially breaches the Agreement.

**8.4 Effects of Termination or Expiry of this Agreement.** (a) If the Manager terminates this Agreement, the Company shall have the option to require the Manager to continue to provide Administrative Management Services to the Company, for the fee described in Section 6.1, for up to a ninety (90) day period from the date that the Manager provides notice of termination of this Agreement.

(b) Upon termination or expiry of this Agreement, this Agreement will be void and there shall be no liability on the part of any Party (or their respective officers, directors, employees or Affiliates) except that the obligation of the Company to pay to the Manager or its Affiliates the amounts accrued but outstanding under Section 6 and the terms and conditions set forth in Sections 7 and 9.3 shall survive such termination. After a written notice of termination has been given under this Section 8 or upon expiry, the Company may direct the Manager to, at the cost of the Company, undertake any actions reasonably necessary to transfer any aspect of the ownership or control of the assets of the Company to the Company or to any nominee of the Company and to do all other things reasonably necessary to bring the appointment of the Manager to an end at the appropriate time, and the Manager shall promptly comply with all such reasonable directions. Upon termination or expiry of this Agreement, the Manager shall promptly deliver to any new manager or the Company any Books and Records held by the Manager under this Agreement and shall execute and deliver such instruments and do such things as may reasonably be required to permit the new manager of the Company to assume its responsibilities.

## 9. GENERAL

**9.1 Assignment; Binding Effect.** The Parties may not assign any of their respective rights under this Agreement in whole or in part without the prior written consent of the other Party, which consent may be withheld in the sole discretion of such other Party. This Agreement is binding upon and inures to the benefit of the Parties and their successors and permitted assigns.

**9.2 Force Majeure.** Neither of the Parties shall be under any liability for any failure to perform any of their obligations hereunder if any of the following occurs (each a "**Force Majeure Event**"):

(a) any event, cause or condition which is beyond the reasonable control of either or both of the Parties and which prevents either or both of the Parties from performing any of their respective obligations under this Agreement;

(b) acts of God, including fire, explosions, unusually or unforeseeably bad weather conditions, epidemic, lightening, earthquake or tsunami;

(c) acts of public enemies, including war or civil disturbance, vandalism, sabotage, terrorism, blockade or insurrection;

(d) acts of a Governmental Authority, including injunction or restraining orders issued by any judicial, administrative or regulatory authority, expropriation or requisition;

(e) government rule. regulation or legislation, embargo or national defense requirement; or

(f) labor troubles or disputes, strikes or lockouts, including any failure to settle or prevent such event which is in the control of any Party.

A Party shall give written notice to the other Party promptly upon the occurrence of a Force Majeure Event.

**9.3 Confidentiality.** (a) Each Receiving Party agrees:

(i) to use any Confidential Information solely to carry out its obligations or exercise its rights under this Agreement (the "**Purpose**") and for no other purpose;

(ii) to copy and make other works based on Confidential Information only as strictly necessary for the Purpose;

(iii) to maintain the confidentiality of the Confidential Information using at least the same degree of care that the Receiving Party uses for its own confidential or proprietary information of a similar nature, but no less than reasonable care;

(iv) to reveal any Confidential Information to any third party without the prior written consent of the Disclosing Party, except that if the Receiving Party is required by law, court or administrative order or regulation to reveal any Confidential Information, the Receiving Party is permitted to do so, *provided* that the Receiving Party gives the Disclosing Party reasonable prior

written notice (if permitted) of the required disclosure and cooperate with the Disclosing Party at its expense in seeking a protective order or other relief;

(v) to limit disclosure of the Confidential Information to such of the Company's or the Manager's officers and employees as is necessary for the Purpose;

(vi) to inform each officer and employee who receives any Confidential Information of the restrictions as to use and disclosure of Confidential Information contained herein and to be responsible for any breach of such restrictions by any such persons; and

(vii) forthwith upon the Disclosing Party's request, to procure the return of all Confidential Information together with any copies, abstracts, or other works which contain or are based on any of the Confidential Information; provided that, notwithstanding the foregoing, the Receiving Party shall be permitted to retain Confidential Information to the extent it is required to retain such Confidential Information pursuant to law, court or administrative order or regulation.

(b) Each Receiving Party further acknowledges that any breach of the provisions of this Agreement would result in serious damage being sustained by the Disclosing Party, and as a result hereby unconditionally agrees:

(i) to be responsible for losses, damages or expenses (including without limitation attorneys' fees and expenses) that have been determined to have been caused by any such breach; and

(ii) that the Disclosing Party shall be entitled to equitable relief (including without limitation injunctive relief) in relation to any threatened or actual breach of the provisions of this Agreement without any requirement of posting a bond and without limiting any other remedy that may be available to the Disclosing Party.

**9.4 Notices.** Each notice, consent or request required to be given to a Party pursuant to this Agreement must be given in writing. A notice may be given by delivery to an individual or by fax, and shall be validly given if delivered on a Business Day to an individual at the following address, or, if transmitted on a Business Day, by fax or email addressed to the following Party:

If to the Company:

Diana Shipping Inc.
do Diana Shipping Services S.A.
Pendelis 16,
175 64 Palaio Faliro,
Athens, Greece
Attention: Director and President
Tel: 30-210-947-0000
Fax: 30-210-942-4975
E-mail: diana@dianashippingservices.com

If to the Manager:

Diana Shipping Services S.A.
Pendelis 16,
175 64 Palaio Faliro,
Athens, Greece
Attention: Director and President
Tel: 30-210-947-0000
Fax: 30-210-942-4975
E-mail: diana@dianashippingservices.com

With Copy to:

Gary J.Wolfe, Esq.
Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004
(212) 574 1223 (telephone number)
(212) 480 8421 (facsimile number)

With Copy to:

Gary J.Wolfe, Esq.
Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004
(212) 574 1223 (telephone number)
(212) 480 8421 (facsimile number)

or to any other address or fax number that the Party so designates by notice given in accordance with this Section. Any notice

(a) if validly delivered on a Business Day, shall be deemed to have been given when delivered; and

(b) if validly transmitted by fax on a Business Day, shall be deemed to have been given on that Business Day.

**9.5 Third Party Rights.** The provisions of this Agreement are enforceable solely by the Parties to this Agreement, and no shareholder, employee, agent of any Party or any other Person shall have the right to enforce any provision of this Agreement or to compel any Party to this Agreement to comply with the terms of this Agreement.

**9.6 No Joint Venture.** Nothing in this Agreement is intended to create or shall be construed as creating a joint venture or partnership between the Parties, and this Agreement shall not be deemed for any purpose to constitute any Party a partner of any other Party to this Agreement in the conduct of any business or otherwise or as a member of a joint venture or joint enterprise with any other Party to this Agreement.

**9.7 Severability.** Each provision of this Agreement is severable. If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:

(a) the legality, validity or enforceability of the remaining provisions of this Agreement; or

(b) the legality, validity or enforceability of that provision in any other jurisdiction;

except that if:

(x) on the reasonable construction of this Agreement as a whole, the applicability of the other provision presumes the validity and enforceability of the particular provision, the other provision will be deemed also to be invalid or unenforceable; and

(y) as a result of the determination by a court of competent jurisdiction that any part of this Agreement is unenforceable or invalid and, as a result of this Section 9.7, the basic intentions of the Parties in this Agreement are entirely frustrated, the Parties shall use

commercially reasonable efforts to amend, supplement or otherwise vary this Agreement to confirm their mutual intention in entering into this Agreement.

**9.8 Governing Law; Jurisdiction; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state, and each party hereto agrees to submit to the non-exclusive jurisdiction of the federal or state courts located in the City, County and State of New York as regards any claim or matter arising under or in connection with this Agreement. Each of the Parties hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this agreement or the transactions contemplated hereby, in the federal or state courts located in the City, County and State of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum or seek to change the venue from any such court.

**9.9 Amendments.** No amendment, supplement, modification or restatement of any provision of this Agreement shall be binding unless it is in writing and signed by each Person that is a Party to this Agreement at the time of the amendment, supplement, modification or restatement.

**9.10 Entire Agreement.** This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

**9.11 Waiver.** No failure by any Party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of any other covenant, duty, agreement or condition. Any waiver must be specifically stated as such in writing.

**9.12 Counterparts.** This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the Parties.

*[Remainder of This Page Intentionally Left Blank]*

IN WITNESS WHEREOF, this Administrative Services Agreement has been duly executed by the Parties as of the date first written above.

DIANA SHIPPING INC.

/s/ Simeon Palios
Name: Simeon Palios
Title: Director, Chief Executive Officer and Chairman of the Board

DIANA SHIPPING SERVICES S.A.

/s/ Ioannis Zafirakis
Name: Ioannis Zafirakis
Title: Director and Treasurer

*[Signature Page to Administrative Services Agreement]*

**Exhibit 4.22**

**DIANA ENTERPRISES INC.**

**THIS AGREEMENT** dated this 15th day of March 2013 by and between Diana Shipping Services S.A., (the "Company") and Diana Enterprises Inc. (the "Broker").

BY WHICH, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

**1. The Company.** The Company is a wholly-owned subsidiary of Diana Shipping Inc. ("Diana Shipping") that provides Diana Shipping, directly and through one or more affiliated entities, agents, representatives and consultants, with commercial and technical vessel management services (collectively the "Services"). Diana Shipping is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership and operation of bulk carrier vessels.

**2. Engagement.** The Company hereby engages the Broker to act as broker for the Company and for any of its affiliates 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 Company'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 thirteen (13) months commencing the 1St day of March 2013 and ending (unless terminated earlier on the basis of any other provision of this Agreement) on the 31st day of March 2014 (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 $208,333 per month, starting immediately for the month of March 2013 and quarterly thereafter at the

beginning of every quarter, 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 or of Diana Shipping (B) the combined voting power of the then-outstanding voting securities of the Company or of Diana Shipping 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 of Diana Shipping 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 or of Diana Shipping 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 three (3) 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:

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:

Diana Enterprises Inc.
Pendelis 26, Palaio Faliro, 175
64 Athens, Greece
Telephone: +30 210 9470150
Telefax: +30 210 9470151
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 SERVICES S.A.

/s/ Simeon Palios
By: Simeon Palios
Title: Director and President

DIANA ENTERPRISES INC..

/s/ Andreas Nikolaos Michalopoulos
By: Andreas Nikolaos Michalopoulos
Title: Director and Secretary

**Exhibit 4.23**

**DIANA ENTERPRISES INC.**

**THIS AGREEMENT** dated this 4th day of March 2014 by and between Diana Shipping Services S.A., (the "Company") and Diana Enterprises Inc. (the "Broker").

BY WHICH, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

**1. The Company.** The Company is a wholly-owned subsidiary of Diana Shipping Inc. ("Diana Shipping") that provides Diana Shipping, directly and through one or more affiliated entities, agents, representatives and consultants, with commercial and technical vessel management services (collectively the "Services"). Diana Shipping is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership and operation of bulk carrier vessels.

**2. Engagement.** The Company hereby engages the Broker to act as broker for the Company and for any of its affiliates 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 Company'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 fifteen (15) months commencing the 1st day of January 2014 and ending (unless terminated earlier on the basis of any other provision of this Agreement) on the 31st day of March 2015 (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 $104,166 per month, payable immediately for the first quarter of 2014 and quarterly thereafter at the beginning of every quarter, 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 or of Diana Shipping (B) the combined voting power of the then-outstanding voting securities of the Company or of Diana Shipping 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 of Diana Shipping 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 or of Diana Shipping 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 three (3) 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:
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:
Diana Enterprises Inc.
Pendelis 26, Palaio Faliro, 175 64
Athens, Greece
Telephone: +30 210 9470150
Telefax: +30 210 9470151
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 SERVICES S.A.

/s/ Simeon Palios
By: Simeon Palios
Title: Director and President

DIANA ENTERPRISES INC.

/s/ Andreas Nikolaos Michalopoulos
By: Andreas Nikolaos Michalopoulos
Title: Director and Secretary

**Exhibit 4.24**

**AMENDED & RESTATED NON-COMPETITION AGREEMENT**

This **AGREEMENT** (this "**Agreement**") dated as of March 1, 2013 amends and restates the agreement dated April 6, 2010 by and between DIANA SHIPPING INC., a Marshall Islands corporation ("**Diana Shipping**") and DIANA CONTAINERSHIPS INC., a Marshall Islands corporation ("**Diana Containerships**").

**WHEREAS**, Diana Shipping is engaged in the ownership, operation and chartering of drybulk carrier vessels and is a shareholder of Diana Containerships, and certain of the senior executive officers of Diana Shipping also serve as senior executive officers of Diana Containerships;

**WHEREAS**, Diana Containerships is engaged in the ownership, operation and chartering of containerships;

**WHEREAS,** Diana Shipping and Diana Containerships desire to enter into this agreement to memorialize their agreement relating to engaging in competing business activities and certain other matters set forth more fully herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and premises of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Non-Competition Agreement of Diana Shipping Inc. Diana Shipping agrees that for so long as any current or continuing executive officer or person performing a similar function for or on behalf of Diana Shipping also serves as an executive officer of or performs a similar function for Diana Containerships, and for a six-month period thereafter, neither Diana Shipping nor any wholly-owned subsidiary of Diana Shipping will acquire or charter or enter into any proposal or agreement relating to the acquisition or charter of any containership vessel or business related to the ownership or operation of container vessels. For purposes of this Agreement, a continuing executive officer of Diana Shipping shall mean any executive officer on the date hereof, or any subsequently appointed executive officer (or person performing a similar function) that is nominated or appointed to succeed a continuing executive officer with the approval of at least a majority of continuing directors. A continuing director shall mean any current member of the board of directors on the date hereof and any other member of the board of directors who shall be nominated or elected to succeed a continuing director by at least a majority of the continuing directors who are then members of the board.

2. Non-Competition Agreement of Diana Containerships Inc. Diana Containerships agrees that for so long as current or continuing executive officer or person performing a similar function for or on behalf of Diana Containerships also serves as an executive of or performs a similar function for Diana Shipping, and for a six-month period thereafter, neither Diana Containerships nor any wholly-owned subsidiary of Diana Containerships will acquire or charter or enter into any proposal or agreement relating to the acquisition or charter of any drybulk vessel or business related to the ownership or operation of drybulk carrier vessels. For purposes of this Agreement, a continuing executive officer of Diana Containerships shall mean any executive officer on the date hereof, or any subsequently appointed executive officer (or person performing a similar function) that is nominated or appointed to succeed a continuing executive officer with the approval of at least a majority of continuing directors. A continuing director shall mean any current member of the board of directors on the date hereof and any other member of the board of directors who shall be nominated or elected to succeed a continuing director by at least a majority of the continuing directors who are then members of the board.

3. Non-Solicitation. Each of the parties hereto agree that for so long as any person serves as a current or continuing executive officer of or performs a similar function for or on behalf of both Diana Shipping and Diana Containerships, and for a twelve-month period thereafter, neither party to this Agreement will, without the prior written consent of the other party, directly or indirectly, including through a wholly-owned subsidiary or affiliate, on behalf of itself or any other individual or entity, solicit for employment, induce or encourage the resignation of any employee of the other party or its related entities, subsidiaries or affiliates, or any person who was employed by the other party or a subsidiary or affiliate of the other party within six months of the date of such solicitation; or in any other way interfere or attempt to interfere with the relationship of either party hereto with any of its or their employees, *provided, however*, that nothing herein shall be deemed to prohibit or limit the executive officers and directors named in **Schedule I** from providing services to Diana Containerships and/or Diana Shipping in the capacities set forth in **Schedule I**.

4. Confidentiality. Except as (i) the parties may otherwise agree or (ii) as may be required by either party in the disclosing party's reasonable opinion after consultation with outside legal counsel by applicable law (including without limitation U.S. federal securities law) or compliance with the requirements of any regulatory authority or stock exchange on which the shares of a party may be listed, any non-public information or confidential information relating to the business or affairs of either party, their respective subsidiaries or affiliates, shall be kept strictly confidential by the other party hereto; provided, however, in the case of clause (ii) of this Section 4, prior to any public disclosure by a party hereto contemplated to be made in order to comply with applicable law or requirements of regulatory authorities or stock exchange requirements, the disclosing party shall provide a draft of such public disclosure or other communication to the non-disclosing party in advance and consult with the non-disclosing party regarding the contents of such disclosure and, to the extent reasonably practicable in the circumstances, take into consideration any comments on such disclosure as may be provided by the non-disclosing party.

5. Notices. Each notice, consent or request required to be given to a Party pursuant to this Agreement must be given in writing. A notice may be given by delivery to an individual or by fax, and shall be validly given if delivered on a Business Day to an individual at the following address, or, if transmitted on a Business Day, by fax or email addressed to the following Party:

If to Diana Shipping Inc.:

Diana Shipping Inc.
Pendelis
16, 175 64
Palaio Faliro
Athens, Greece
Attention: Andreas Michalopoulos
Tel: 30-210-9470-100
Fax: 30-210-9470-101
E-mail: amichalopoulos@dianashippinginc.com

With Copy to:
Gary J. Wolfe, Esq.
Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004
(212) 574 1223 (telephone number)
(212) 480 8421 (facsimile number)

If to Diana Containerships Inc.:

Diana Containerships Inc.
Pendelis
16, 175 64
Palaio Faliro
Athens, Greece
Attention: Ioannis Zafirakis
Tel: 30-210-9470-000
Fax: 30-210-9424-975
E-mail: izafirakis@dcontainerships.com

With Copy to:
Gary J. Wolfe, Esq.
Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004
(212) 574 1223 (telephone number)
(212) 480 8421 (facsimile number)

6. Governing Law. This Agreement and the rights and obligations of the parties hereto will be governed by and construed in accordance with the laws of England.

7. Further Assurances. Each of the parties to this Agreement agrees to execute, acknowledge and deliver all such instruments and take all such actions a party from time to time may reasonably request in order to further effectuate the purposes of this Agreement and to carry out the terms hereof and to better assure and confirm to the Company its rights, powers and remedies hereunder.

8. Binding Effect; Assignment. This Agreement will be binding upon and inure to the benefit of the parties hereto and to their respective heirs, executors, administrators, successors and permitted assigns. This Agreement is not assignable by either party without the prior written consent of the other party except as provided in Section 2 hereof.

9. Severability. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, then this Agreement will be construed as if such invalid, illegal, or unenforceable provision or part of a provision had never been contained in this Agreement.

10. Counterparts. This Agreement may be executed in multiple counterparts, each of which will be deemed an original and all of such counterparts together will constitute one agreement. To facilitate execution of this Agreement, the parties may execute and exchange counterparts of signature pages by telephone facsimile.

[*Signature page follows.*]

**IN WITNESS WHEREOF**, this Agreement has been duly executed by the parties as of the date first written above.

**DIANA SHIPPING INC.**

/s/ Anastasios Margaronis
Name: Anatasios Margaronis
Title: Director and President

**DIANA CONTAINERSHIPS INC.**

/s/ Ioannis Zafirakis
Name: Ioannis afirakis
Title: Director, Chief Operating Officer and Secretary

[*Signature Page to Non-Compete Agreement*]

Schedule I

| Person | Diana Shipping Capacity | Diana Containerships Capacity |
|---|---|---|
| Symeon Palios | Director, Chief Executive Officer and Chairman | Director, Chief Executive Officer and Chairman |
| Anastasios Margaronis | Director and President | Director and President |
| Ioannis Zafirakis | Director, Executive Vice President and Secretary | Director, Chief Operating Officer and Secretary |
| Andreas Michalopoulos | Chief Financial Officer and Treasurer | Chief Financial Officer and Treasurer |

**Exhibit 8.1**

**SUBSIDIARIES AS AT DECEMBER 31, 2013**

| Subsidiary | Country of Incorporation |
|---|---|
| Ailuk Shipping Company Inc. | Marshall Islands |
| Bikar Shipping Company Inc. | Marshall Islands |
| Bikini Shipping Company Inc. | Marshall Islands |
| Erikub Shipping Company Inc. | Marshall Islands |
| Gala Properties Inc. | Marshall Islands |
| Guam Shipping Company Inc. | Marshall Islands |
| Jaluit Shipping Company Inc. | Marshall Islands |
| Jemo Shipping Company Inc. | Marshall Islands |
| Kili Shipping Company Inc. | Marshall Islands |
| Knox Shipping Company Inc. | Marshall Islands |
| Lae Shipping Company Inc. | Marshall Islands |
| Lib Shipping Company Inc. | Marshall Islands |
| Mandaringina Inc. | Marshall Islands |
| Majuro Shipping Company Inc. | Marshall Islands |
| Namu Shipping Company Inc. | Marshall Islands |
| Palau Shipping Company Inc. | Marshall Islands |
| Taka Shipping Company Inc. | Marshall Islands |
| Tuvalu Shipping Company Inc. | Marshall Islands |
| Wotho Shipping Company Inc. | Marshall Islands |
| Aster Shipping Company Inc. | Marshall Islands |
| Aerik Shipping Company Inc. | Marshall Islands |
| Pulap Shipping Company Inc. | Marshall Islands |
| Bokak Shipping Company Inc. | Marshall Islands |
| Makur Shipping Company Inc. | Marshall Islands |
| Jabat Shipping Company Inc. | Marshall Islands |
| Fayo Shipping Company Inc. | Marshall Islands |
| Husky Trading, S.A. | Panama |
| Buenos Aires Compania Armadora S.A. | Panama |
| Cerada International S.A. | Panama |
| Changame Compania Armadora S.A. | Panama |
| Chorrera Compania Armadora S.A. | Panama |
| Cypres Enterprises Corp. | Panama |
| Darien Compania Armadora S.A. | Panama |
| Diana Shipping Services S.A. | Panama |
| Eaton Marine 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) |

**EXHIBIT 12.1**

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**

I, Simeon Palios, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 27, 2014

/s/ Simeon Palios
Simeon Palios
Chief Executive Officer (Principal Executive Officer)

**EXHIBIT 12.2**

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER**

I, Andreas Michalopoulos, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 27, 2014

/s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer and Treasurer (Principal Financial Officer)

**EXHIBIT 13.1**

**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, 2013 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Simeon Palios, 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 27, 2014

/s/ Simeon Palios
Simeon Palios
Chief Executive Officer (Principal Executive Officer)

**EXHIBIT 13.2**

**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, 2013 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Andreas Michalopoulos, 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 27, 2014

/s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer and Treasurer (Principal Financial Officer)

**Exhibit 15.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement (Form F-3 No. 333-181540, as amended) of Diana Shipping Inc. and in the related Prospectus of our reports dated March 27, 2014, 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, 2013.

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

March 27, 2014
Athens, Greece