

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, 2017

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)

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

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

Title of each class	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
8.500% Senior Notes due 2020	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, 2017, there were 106,131,017 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	4
PART I	
Item 1. Identity of Directors, Senior Management and Advisers	5
Item 2. Offer Statistics and Expected Timetable	5
Item 3. Key Information	5
Item 4. Information on the Company	35
Item 4A. Unresolved Staff Comments	59
Item 5. Operating and Financial Review and Prospects	59
Item 6. Directors, Senior Management and Employees	78
Item 7. Major Shareholders and Related Party Transactions	83
Item 8. Financial Information	86
Item 9. The Offer and Listing	88
Item 10. Additional Information	89
Item 11. Quantitative and Qualitative Disclosures about Market Risk	99
Item 12. Description of Securities Other than Equity Securities	99
PART II	
Item 13. Defaults, Dividend Arrearages and Delinquencies	100
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	100
Item 15. Controls and Procedures	100
Item 16A. Audit Committee Financial Expert	101
Item 16B. Code of Ethics	101
Item 16C. Principal Accountant Fees and Services	101
Item 16D. Exemptions from the Listing Standards for Audit Committees	102
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	102
Item 16F. Change in Registrant's Certifying Accountant	103
Item 16G. Corporate Governance	103
Item 16H. Mine Safety Disclosure	103
PART III	
Item 17. Financial Statements	104
Item 18. Financial Statements	104
Item 19. Exhibits	104

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, unless otherwise indicated.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in 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, including under the heading "Item 3. Key Information—D. Risk Factors," 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 supply of vessels, 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 or labor disruptions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the SEC, and the New York Stock Exchange, or the NYSE. We caution readers of this annual report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The following tables set forth our selected consolidated financial data and other operating data. The selected consolidated financial data in the tables as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 are derived from our audited consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The following data should be read in conjunction with "Item 5. Operating and Financial Review and Prospects", the consolidated financial statements, related notes and other financial information included elsewhere in this annual report.

	As of and for the Year Ended December 31,				
	2017	2016	2015	2014	2013
	(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	\$ 161,897	\$ 114,259	\$ 157,712	\$ 175,576	\$ 164,005
Impairment loss	442,274	-	-	-	-
Operating loss	(483,987)	(88,321)	(47,177)	(18,204)	(8,653)
Net loss	(511,714)	(164,237)	(64,713)	(10,268)	(21,205)
Dividends on series B preferred shares	(5,769)	(5,769)	(5,769)	(5,080)	-
Loss attributed to common stockholders	(517,483)	(170,006)	(70,482)	(15,348)	(21,205)
Loss per common share, basic and diluted	(5.41)	(2.11)	(0.89)	(0.19)	(0.26)
Weighted average number of common shares, basic and diluted	95,731,093	80,441,517	79,518,009	81,292,290	81,328,390
Balance Sheet Data:					
Total assets	\$ 1,246,722	\$ 1,668,663	\$ 1,836,965	\$ 1,787,122	\$ 1,701,981
Total current liabilities	80,441	78,225	58,889	98,092	62,297
Capital stock	1,071,587	986,044	977,731	972,125	927,032
Long-term debt (including current portion), net of deferred financing costs	601,384	598,181	600,071	484,256	431,557
Total stockholders' equity	624,758	1,056,589	1,218,366	1,282,226	1,253,392

	Year Ended December 31,				
	2017	2016	2015	2014	2013

(in thousands of U.S. dollars,
except for share and per share data and average daily results)

Cash Flow Data:

Net cash provided by/(used in) operating activities	\$ 23,413	\$ (20,998)	\$ 23,945	\$ 44,910	\$ 67,400
Net cash used in investing activities	(152,333)	(41,619)	(155,637)	(152,513)	(245,156)
Net cash provided by/(used in) financing activities*	73,587	(9,459)	106,009	85,871	(28,235)

* Comparative amounts have been reclassified due to current presentation of restricted cash following the early adoption of ASU No. 2016-18 – Statement of Cash Flows – Restricted Cash.

Fleet Data:

Average number of vessels (1)	49.6	45.2	40.8	37.9	33.0
Number of vessels at year-end	50.0	46.0	43.0	39.0	36.0
Weighted average age of vessels at year-end (in years)	8.4	8.2	7.4	7.1	6.6
Ownership days (2)	18,119	16,542	14,900	13,822	12,049
Available days (3)	17,890	16,447	14,600	13,650	12,029
Operating days (4)	17,566	16,354	14,492	13,564	11,944
Fleet utilization (5)	98.2%	99.4%	99.3%	99.4%	99.3%

Average Daily Results:

Time charter equivalent (TCE) rate (6)	\$ 8,568	\$ 6,106	\$ 9,739	\$ 12,081	\$ 12,959
Daily vessel operating expenses (7)	4,987	5,196	5,924	6,289	6,408

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

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

Time charter revenues	\$ 161,897	\$ 114,259	\$ 157,712	\$ 175,576	\$ 164,005
Less: voyage expenses	(8,617)	(13,826)	(15,528)	(10,665)	(8,119)
Time charter equivalent revenues	\$ 153,280	\$ 100,433	\$ 142,184	\$ 164,911	\$ 155,886
Available days	17,890	16,447	14,600	13,650	12,029
Time charter equivalent (TCE) rate	\$ 8,568	\$ 6,106	\$ 9,739	\$ 12,081	\$ 12,959

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

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our securities, including our common stock, Series B Preferred Shares, and 8.5% Senior Notes due 2020, which we refer to as our Notes. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results, cash available for the payment of dividends on our shares and interest on our Notes, or the trading price of our securities.

Industry Specific Risk Factors

Charter hire rates for dry bulk carriers may remain at low levels or 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 declined significantly from historically high levels. Because we charter some of our vessels pursuant to short-term time charters, we are exposed to changes in spot market and short-term charter rates for dry bulk carriers and such changes may affect our earnings and the value of our dry bulk carriers at any given time. In addition, more than half of our vessels are scheduled to come off of their current charters in 2018, based on their earliest redelivery date, for which we may be seeking new employment. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or pay any dividends in the future. Fluctuations in charter rates result from changes in the supply of and demand for vessel capacity and changes in the supply of and demand for the major commodities carried by water internationally. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for dry bulk vessel capacity include:

- Y supply of and demand for energy resources, commodities, semi-finished and finished consumer and industrial products;
- Y changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- Y the location of regional and global exploration, production and manufacturing facilities;
- Y the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- Y the globalization of production and manufacturing;
- Y global and regional economic and political conditions, including armed conflicts and terrorist activities; embargoes and strikes;
- Y natural disasters and other disruptions in international trade;
- Y developments in international trade;
- Y changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- Y environmental and other regulatory developments;
- Y currency exchange rates; and
- Y weather.

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

- Y the number of newbuilding orders and deliveries, including slippage in deliveries;
- Y the number of shipyards and ability of shipyards to deliver vessels;
- Y port and canal congestion;
- Y the scrapping rate of older vessels;
- Y vessel casualties; and
- Y 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.

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

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

The abrupt and dramatic downturn in the dry bulk charter market, from which we derive substantially all of our revenues, has severely affected the dry bulk shipping industry and has adversely affected our business. The Baltic Dry Index, or the BDI, a daily average of charter rates for key dry bulk routes published by the Baltic Exchange Limited, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then, reaching a record low of 290 in February 2016. While the BDI showed improvement in 2017, ranging from a low of 685 in February to a high of 1,743 in December, it remains at low levels compared to historical highs and there can be no assurance that the dry bulk charter market will not decline further. The decline and volatility in charter rates is due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which has resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which has resulted in falling iron ore prices and increased stockpiles in Chinese ports. The decline and volatility in charter rates in the dry bulk market also affects the value of our dry bulk vessels, which follows the trends of dry bulk charter rates, and earnings on our charters, and similarly, affects our cash flows, liquidity and compliance with the covenants contained in our loan agreements.

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

If economic conditions throughout the world decline, in particular in the EU, in China and the rest of the Asia-Pacific region, it could negatively affect our earnings, financial condition and cash flows and may further adversely affect the market price of our common shares.

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 continuing economic weakness in the European Union, or the EU. Deterioration in the global economy has caused, and could in the future cause, a decrease in worldwide demand for certain goods and, thus, shipping. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the current political instability in the Middle East and other geographic countries and areas, geopolitical events such as Brexit, terrorist or other attacks, and war (or threatened war) or international hostilities, such as those between the United States and North Korea.

The EU and other parts of the world have recently been or are currently in a recession and continue to exhibit weak economic trends. Moreover, concerns persist regarding the debt burden of certain Eurozone countries, such as Greece, Spain, Portugal, and Italy, and their ability to meet future financial obligations and the overall stability of the euro. Partly as a result, the credit markets in the United States and Europe have experienced significant contraction, deleveraging and reduced liquidity, and the U.S. federal and state governments and European authorities have implemented a broad variety of governmental action and new regulation of the financial markets and may implement additional regulations in the future. As a result, global economic conditions and global financial markets have been, and continue to be, volatile. Further, credit markets and the debt and equity capital markets have been distressed and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide.

Economic slowdown in the Asia Pacific region, particularly in China, may have a materially adverse effect on us, as we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of dry bulk commodities in ports in the Asia Pacific region. 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 is estimated to be approximately 6.8% for the year ended December 31, 2017, which is 0.1% higher than the growth rate for the year ended December 31, 2016, China's slowest growth rate in 25 years. Our earnings and ability to grow our fleet would likely be impeded by an economic downturn in China or other countries in the Asia Pacific region.

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 implemented economic policies aimed at increasing domestic consumption of Chinese-made goods and restricting currency exchanges within China. 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 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.

In addition, leaders in the United States have indicated the United States may seek to implement more protective trade measures. The current U.S. president was elected on a platform promoting trade protectionism and his election has created uncertainty about the future relationship between the United States and China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. On January 23, 2017, the U.S. President signed an executive order withdrawing the United States from the Trans-Pacific Partnership, a global trade agreement intended to include the United States, Canada, Mexico, Peru and a number of Asian countries. Additionally, in March 2018, the U.S. President announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally and dry bulk shipping specifically.

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, financial condition and earnings.

A decline in the state of global financial markets and economic conditions may adversely impact our ability to obtain additional financing or refinance our existing loan and credit facilities on acceptable terms which may hinder or prevent us from expanding our business.

Recent volatility in global financial markets and economic conditions has negatively affected the general willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been, and may continue to be negatively affected by a decline in lending. Furthermore, a decline in global financial markets may adversely impact our ability to issue additional equity at prices that are not dilutive to our existing shareholders or preclude us from issuing equity at all.

Also, as a result of any renewed concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets may increase as lenders may increase interest rates, enact tighter lending standards, refuse to refinance existing debt at all or on terms similar to current debt and reduce, and in some cases cease to provide funding to borrowers. Due to these factors, we cannot be certain that additional financing will be available if needed and to the extent required, or that we will be able to refinance our existing loan and credit facilities, on acceptable terms or at all. If additional financing or refinancing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

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

The market supply of dry bulk carriers has increased materially since 2009 due to a high level of new deliveries in the last few years. Although dry bulk newbuilding deliveries have tapered off since 2014, newbuildings continued to be delivered in significant numbers through the end of 2017. 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, more than half of our vessels are scheduled to come off of their current charters in 2018, based on their earliest redelivery date, for which we may be seeking new employment.

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

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

marine disaster;

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.

World events could affect our earnings and financial condition.

Continuing conflicts and recent developments in the Middle East, Ukraine and other geographic countries and areas, geopolitical events such as Brexit, terrorist or other attacks, and war (or threatened war) or international hostilities, such as those between the United States and North Korea, may lead to armed conflict or acts of terrorism around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea, the Gulf of Aden off the coast of Somalia and the Gulf of Guinea. Any of these occurrences could have a material adverse impact on our operating results.

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

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

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

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

An increase in the price of fuel, or bunkers, 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 of 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 and regulations. Fuel may become much more expensive in the future, including as a result of the imposition of sulfur oxide emissions limits in 2020 under new regulations adopted by the International Maritime Organization, or the IMO, 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 business and the operations of our vessels are materially affected by environmental regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions (including greenhouse gases), water discharges and ballast water management. These regulations include, but are not limited to, European Union regulations, the U.S. Oil Pollution Act of 1990, requirements of the U.S. Coast Guard, or USCG and the U.S. Environmental Protection Agency, the U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), the U.S. Clean Water Act, and the U.S. Maritime Transportation Security Act of 2002, and regulations of the IMO, including the International Convention on Civil Liability for Oil Pollution Damage of 1969, the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978, collectively referred to as MARPOL 73/78 or MARPOL, including designations of Emission Control Areas, thereunder, SOLAS, the International Convention on Load Lines of 1966, the International Convention of Civil Liability for Bunker Oil Pollution Damage, and the ISM Code. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such requirements or the impact thereof on the re-sale price or useful life of any vessel that we own or will acquire. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. Government regulation of vessels, particularly in the areas of safety and environmental requirements, continue to change, requiring us to incur significant capital expenditures on our vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. In addition, we may incur significant costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential environmental violations and in obtaining insurance coverage.

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

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

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

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

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

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

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

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

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

Our vessels may call on ports located in countries that are subject to sanctions and embargoes imposed by the U.S. or other governments, which 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 countrywide U.S. sanctions, including Iran, North Korea and Syria. Since July 11, 2011, none of our vessels have called on ports in North Korea or Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. With effect from July 1, 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, on May 1, 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. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader, and U.S. persons are generally prohibited from all transactions or dealings with such persons, whether direct or indirect. Among other things, foreign sanctions evaders are unable to transact 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.

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, or the 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 United States and European Union would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the United States and European Union indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures included, 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. The JPOA was subsequently extended twice.

On July 14, 2015, the P5+1 and the European Union announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program, or the JCPOA, which is intended to significantly restrict Iran's ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and does not involve U.S. persons. On January 16, 2016, or Implementation Day, the United States joined the European Union and the United Nations in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency, or IAEA, that Iran had satisfied its respective obligations under the JCPOA.

U.S. sanctions prohibiting certain conduct that is now permitted under the JCPOA have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from OFAC's sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of "Transition Day," set to occur on October 20, 2023, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities. On October 13, 2017, the U.S. President announced that he would not certify Iran's compliance with the JCPOA. This did not withdraw the United States from the JCPOA or reinstate any sanctions. However, the U.S. President must periodically renew sanctions waivers and his refusal to do so could result in the reinstatement of certain sanctions currently suspended under the JCPOA. Although it is our intention to comply with the provisions of the JCPOA, 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 JCPOA, as noted above.

Current or future counterparties of ours may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the Obama administration, the 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 or future contracts to which we or our subsidiaries are party or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm. Currently, we do not believe that any of our existing counterparties are affiliated with persons or entities that are subject to such sanctions.

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

Maritime claimants could arrest or attach one or more of our vessels, which could interrupt our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo, lenders, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flows 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 that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

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

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

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

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

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

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

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

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

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

Company Specific Risk Factors

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

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

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

- the prevailing level of charter hire rates;
- general economic and market conditions affecting the shipping industry;
- competition from other shipping companies and other modes of transportation;
- the types, sizes and ages of vessels;
- the supply of and demand for vessels;
- applicable governmental or other regulations;
- technological advances; and
- the cost of newbuildings.

The market values of our vessels are at low levels compared to historical averages and if the market values of our vessels decline further, we may not be in compliance with certain covenants contained in our current and future loan facilities and we may not be able to refinance our debt or obtain additional financing or incur debt on terms that are acceptable to us or at all. On November 30, 2016, we received a letter from the agent under one of our loan facilities, advising us that we were not in compliance with the loan to value covenant contained in the facility. Additionally, in January 2017, we received a letter from another bank, which offered us a lower loan to value rate until June 30, 2017. As at December 31, 2017, we were in compliance with all of the covenants in our loan facilities. If we are not able to comply with the covenants in our loan facilities or are unable to obtain waivers or amendments or otherwise remedy the relevant breach, our lenders could accelerate our debt and foreclose on our vessels.

Furthermore, if we sell any of our owned vessels at a time when prices are depressed, our business, results of operations, cash flow and financial condition could be adversely affected. Moreover, if we sell a vessel at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings. In addition, if vessel values persist or decline further, we may have to record an impairment adjustment in our financial statements which could adversely affect our financial results. For example, in 2017, we recorded \$422.5 million of impairment charges for 20 vessels in our fleet, as our impairment test exercise indicated that their carrying values were not recoverable.

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

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

Rising crew costs could adversely affect our results of operations.

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

Our involvement with Diana Containerships Inc. may expose us to risks which may adversely affect our financial condition.

As at December 31, 2017, we had a \$82.6 million outstanding balance of a loan facility plus an unrecorded \$5 million interest bearing discount premium and owned 100 shares of Series C Preferred Stock of Diana Containerships Inc. (NASDAQ:DCIX), or Diana Containerships, which operates in the containership market. Through our involvement with Diana Containerships, we may be exposed to risks which may require us to recognize losses and/or write off part or the entire amount due from Diana Containerships under our loan facility.

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

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

The effects of the recent Greek crisis could adversely affect the operations of our fleet manager, which has offices in Greece.

As a result of the recent economic slump in Greece and the capital controls imposed by the Greek government in June 2015, Diana Shipping Services S.A., our manager which has offices in Greece, may be subjected to new regulations that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Greek government new taxes or other fees. Although the Greek economy showed signs of improvement in 2017, conditions may worsen in the future, which may adversely affect the operations of our manager located in Greece. We also face the risk that enhanced capital controls, strikes, work stoppages, civil unrest and violence within Greece may disrupt the operations of our manager located in Greece.

A cyber-attack could materially disrupt our business.

We rely on information technology systems and networks in our operations and administration of our business. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations.

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

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

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

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

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

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

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

Since the completion of our initial public offering in March 2005, we have increased our fleet to 50 vessels in operation, as of the date of this annual report. The significant increase in the size of our fleet has imposed significant additional responsibilities on our management and staff. We may grow our fleet further in the future and this may require us to increase the number of our personnel. We may also have to increase our customer base to provide continued employment for the new vessels.

Any future growth will primarily depend on our ability to:

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

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

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

Since February 2005 we have entered into several loan agreements to finance vessel acquisitions and the construction of newbuildings. As of December 31, 2017, we had \$604.8 million outstanding under our facilities and our Notes. Our ability to borrow amounts under our facilities is subject to the execution of customary documentation relating to the facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Prior to each drawdown, we are required, among other things, to provide the lender with acceptable valuations of the vessels in our fleet confirming that the vessels in our fleet have a minimum value and that the vessels in our fleet that secure our obligations under the facilities are sufficient to satisfy minimum security requirements. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may not be able to draw down the full amount under the facilities without obtaining a waiver or consent from the lender. We will also not be permitted to borrow amounts under the facilities if we experience a change of control.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our success depends to a significant extent upon the abilities and efforts of our management team. We have entered into employment contracts with our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios; our President, Mr. Anastasios Margaronis; our Chief Financial Officer, Mr. Andreas Michalopoulos; and our Chief Operating Officer, 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.

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

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

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

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. The loss of earnings while a vessel is being repaired and repositioned, as well as the actual cost of these repairs not covered by our insurance, would decrease our earnings and available cash. For example, in July 2017, one of our vessels, the m/v Melite, which was subsequently sold in October 2017, suffered damage due to a grounding incident at Pulau Laut, Indonesia, which resulted in a \$19.8 million non-cash impairment loss. 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 50 vessels in operation, having a combined carrying capacity of 5.8 million dead weight tons, or dwt, and a weighted average age of 8.6 years as of the date of this report. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

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

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

Volatility in the London Interbank Offered Rate, or 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 loan facilities 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 2017, 2016, and 2015, approximately 43%, 54% and 66%, respectively, of our revenues were derived from three, four and four charterers, respectively. If one or more of our charterers chooses not to charter our vessels or is unable to perform under one or more charters with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

We expect that we and each of our subsidiaries qualify for this statutory tax exemption for the 2017 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 2017 taxable year, we estimate our maximum U.S. federal income tax liability to be immaterial if we were subject to this U.S. federal income tax. See "Item 10. Additional Information—E. Taxation" for a more comprehensive discussion of U.S. federal income tax considerations.

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

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

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

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

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

Risks Relating to Our Common Stock

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

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

Our policy, 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, under the terms of our loan agreements, we may not be permitted to pay dividends that would result in an event of default or if an event of default has occurred and is continuing.

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

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

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

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

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

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

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

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

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

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

As of the date of this annual report, Mr. Simeon Palios, our Chief Executive Officer and Chairman of the Board, beneficially owns 24,914,107 shares, or approximately 23.1% of our outstanding common stock, which is held indirectly through entities over which he exercises sole voting power. Please see "Item 7. Major Shareholders and Related Party Transactions—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.

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, 2017, 106,131,017 shares were outstanding. The number of shares of common stock available for sale in the public market is limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and principal shareholders have entered into.

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

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

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

These provisions include:

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

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

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

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

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

Risks Relating to Our Series B Preferred Stock

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

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

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

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

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

The Series B Preferred Shares represent perpetual equity interests.

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

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

Our Series B Preferred Shares are subordinated to all of our existing and future indebtedness. Therefore, our ability to pay dividends on, redeem or pay the liquidation preference on our Series B Preferred Shares in liquidation or otherwise may be subject to prior payments due to the holders of our indebtedness. Our existing indebtedness restricts, and our future indebtedness may include restrictions on, our ability to pay dividends on or redeem preferred shares. Our amended and restated articles of incorporation currently authorize the issuance of up to 25,000,000 preferred shares, par value \$0.01 per share. Of these preferred shares, 1,000,000 shares have been designated Series A Participating Preferred Stock 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 may influence the price of our Series B Preferred Shares is the dividend yield on the Series B Preferred Shares (as a percentage of the price of our Series B Preferred Shares) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our Series B Preferred Shares to expect a higher dividend yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of our Series B Preferred Shares to decrease.

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

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

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

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

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

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

Risks Relating to our Notes

The investment in our Notes is subject to our credit risk.

Our Notes are unsubordinated unsecured general obligations of ours and are not, either directly or indirectly, an obligation of any third party. Our Notes will rank equally with any senior and unsubordinated debt obligations that we may enter into in the future, except as such obligations may be preferred by operation of law. Any payment to be made on our Notes, including the return of the principal amount at maturity or any redemption date, as applicable, depends on our ability to satisfy our obligations as they come due. As a result, our actual and perceived creditworthiness may affect the market value of our Notes and, in the event we were to default on our obligations, holders of our Notes may not receive the amounts owed to them under the terms of our Notes.

Our subsidiaries conduct the substantial majority of our operations and own our operating assets, and the right to receive payments on our Notes is structurally subordinated to the rights of the lenders of our subsidiaries.

Our subsidiaries conduct the substantial majority of our operations and own our operating assets. As a result, our ability to make required payments on our Notes depends in part on the operations of our subsidiaries and our subsidiaries' ability to distribute funds to us. To the extent our subsidiaries are unable to distribute, or are restricted from distributing, funds to us, we may be unable to fulfill our obligations under our Notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due on our Notes or to make funds available for that purpose. Our Notes are not guaranteed by any of our subsidiaries or any other person.

The rights of holders of our Notes are structurally subordinated to the rights of our subsidiaries' lenders. A default by a subsidiary under its debt obligations would result in a block on distributions from the affected subsidiary to us. Our Notes will be effectively junior to all existing and future liabilities of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, creditors of our subsidiaries will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

Our Notes are unsecured obligations and are subordinated to our secured debt.

Our Notes are unsecured and therefore are effectively subordinated to any secured debt we maintain or may incur to the extent of the value of the assets securing the debt. In the event of a bankruptcy or similar proceeding involving us, the assets that serve as collateral will be available to satisfy the obligations under any secured debt before any payments are made on our Notes. We will continue to have the ability to incur additional secured debt, subject to limitations in our loan facilities and the indenture relating to our Notes.

We may not have the ability to raise the funds necessary to purchase our Notes as required upon a change of control, and our existing and future debt may contain limitations on our ability to purchase our Notes.

Following a change of control, holders of Notes will have the right to require us to purchase their Notes for cash. A change of control may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then existing indebtedness. We may not have sufficient financial resources, or be able to arrange financing, to pay the change of control purchase price in cash with respect to any Notes surrendered by holders for purchase upon a change of control. In addition, restrictions in our then existing loan facilities or other indebtedness, if any, may not allow us to purchase the Notes upon a change of control. Our failure to purchase the Notes upon a change of control when required would result in an event of default with respect to the Notes which could, in turn, constitute a default under the terms of our other indebtedness, if any. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the Notes.

Some significant restructuring transactions may not constitute a change of control, in which case we would not be obligated to offer to purchase the Notes.

The change of control provisions contained in the indenture governing our Notes will not afford protection to holders of Notes in the event of certain transactions that could adversely affect our Notes. For example, transactions such as leveraged recapitalizations, refinancing or certain restructurings would not constitute a change of control requiring us to repurchase the Notes. In the event of any such transaction, holders of the Notes would not have the right to require us to purchase their Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting holders of the Notes.

Our Notes have not been rated, and ratings of any of our other securities may affect the trading price of our Notes.

We have not sought to obtain a rating for our Notes, and our Notes may never be rated. It is possible, however, that one or more credit rating agencies might independently determine to assign a rating to our Notes or that we may elect to obtain a rating of our Notes in the future. In addition, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to our Notes in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, or if ratings for such other securities would imply a lower relative value for our Notes, could adversely affect the market for, or the market value of, our Notes. Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. A rating is not a recommendation to purchase, sell or hold any particular security, including our Notes. Ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of our Notes may not reflect all risks related to us and our business, or the structure or market value of our Notes.

We may redeem the Notes, at our option, in whole or in part.

Effective May 15, 2017, we may redeem the Notes, at our option, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to the date of redemption. In the event we choose to redeem the Notes, the holders of our Notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on our Notes. Our redemption right also may adversely impact the holders' ability to sell our Notes as the optional redemption date or period approaches.

Item 4. Information on the Company

A. History and development of the Company

Diana Shipping Inc. is a holding company incorporated under the laws of Liberia in March 1999 as Diana Shipping Investments Corp. In February 2005, the Company's articles of incorporation were amended. Under the amended and restated articles of incorporation, the Company was renamed Diana Shipping Inc. and was re-domiciled from the Republic of Liberia to the Republic of the Marshall Islands. Our executive offices are located at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at this address is +30-210-947-0100. Our agent and authorized representative in the United States is our wholly-owned subsidiary, Bulk Carriers (USA) LLC, established in September 2006, in the State of Delaware, which is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

Business Development and Capital Expenditures and Divestitures

On May 22, 2014, our Board of Directors authorized a share repurchase plan for up to \$100 million of our common shares of which, up to January 30, 2015, we repurchased and retired a total of 3,259,353 shares at the aggregate cost of \$28.0 million and an average price of \$8.6 per share. We have not repurchased any other shares since January 30, 2015.

In January 2015, we took delivery of m/v *Santa Barbara*, a new-building Capesize dry bulk vessel, which we acquired from an unrelated third party for \$50.0 million.

In March 2015, we prepaid the outstanding indebtedness under a loan agreement with Deutsche Bank Aktiengesellschaft Filiale Deutschlandgeschäft, or Deutsche Bank, for *Myrto* and *Maia*, of \$15.8 million.

In March 2015, we entered into a term loan facility of up to \$110.0 million with Nordea Bank AB, London Branch, or Nordea, to refinance the existing agreements we had with the bank for working capital and general corporate purposes. We completed the drawdown of \$93.1 million on March 19, 2015 and we fully repaid all outstanding indebtedness with the bank at that date.

In March 2015, we entered into a loan agreement with ABN AMRO Bank N.V. for up to \$53.0 million to refinance part of the acquisition cost of the vessels *New York*, *Myrto* and *Maia*. On March 30, 2015, we drew down the amount of \$50.16 million under the loan facility.

In April 2015, we acquired from unrelated third parties a new-building Capesize dry bulk vessel, named *New Orleans*, for \$43.0 million and a Kamsarmax dry bulk vessel, renamed to *Medusa*, for \$18.05 million. The vessels were delivered in November 2015 and June 2015, respectively. During the same month, we also entered into a loan agreement with Danish Ship Finance A/S for a loan facility of \$30.0 million, drawn on April 30, 2015 to partly finance the acquisition cost of the *Santa Barbara*.

In May 2015, our wholly owned subsidiary Diana Ship Management Inc. and Wilhelmsen Ship Management Holding Limited, an unaffiliated third party, established Diana Wilhelmsen Management Limited, or DWM, a 50/50 joint venture, with the purpose of providing management services to a number of vessels in our fleet. The DWM office is located in Limassol, Cyprus and currently it provides services to ten of our vessels.

In May 2015, we offered \$63.3 million aggregate principal amount of 8.5% Senior Notes due 2020 (the "Notes"), including an over allotment, at the price of \$25.0 per Note. As part of the offering, the underwriters sold \$12.8 million aggregate principal amount of the Notes to, or to entities affiliated with, the Company's chief executive officer, Mr. Simeon Palios, and other executive officers and certain directors of the Company at the public offering price. As of May 29, 2015, the Notes are trading on the NYSE under the ticker symbol "DSXN". The Notes bear interest from May 28, 2015 at a rate of 8.5% per year and will mature on May 15, 2020. Interest is payable quarterly in arrears on the 15th day of February, May, August and November of each year, commencing on August 15, 2015. Effective May 15, 2017, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Notes include financial and other covenants, including maximum net borrowings and minimum tangible net worth.

In July 2015, we entered into a loan agreement with BNP Paribas for a loan of \$165.0 million, drawn on July 24, 2015 to refinance the revolving credit facility with the Royal Bank of Scotland. In this respect, the revolving credit facility, having an outstanding balance of \$195.0 million, was voluntarily prepaid in full and the related agreement was terminated.

In September 2015, we entered into a term loan agreement with ING Bank N.V. for a loan of up to \$39.7 million, drawn in two tranches to finance part of the acquisition cost of the *Medusa* and the *New Orleans*, delivered in June and November 2015, respectively.

In September 2015, we also amended our \$50.0 million loan agreement with Diana Containerships, dated May 20, 2013, pursuant to which the loan matured on March 15, 2022; bore interest at LIBOR plus a margin of 3% per annum; the accrued back-end fee was paid and replaced by a fee of \$200,000 payable by the borrower on the maturity date. In addition, the borrowers agreed to repay the principal amount of the loan on the last day of each interest period in amounts of \$5.0 million per annum, but not to exceed \$32.5 million in the aggregate. The loan was subordinated to Diana Containerships' loan with the Royal Bank of Scotland.

In November 2015, we acquired a Capesize dry bulk vessel, named *Seattle*, for \$28.5 million, which was delivered in November 2015.

In January 2016, we entered into a loan agreement with the China Export Import Bank, or CEXIM Bank for a loan of up to \$75.7 million to finance part of the construction cost of *San Francisco*, *Newport News* and Hull *DY6006*. On January 4, 2017, we drew down \$57.24 million. On February 6, 2017, we signed a Deed of Release with the bank, pursuant to which, the owner of Hull *DY6006* was released from all of its obligations under the loan agreement as a borrower as a result of the cancellation of its shipbuilding contract with the yards.

In February 2016, we acquired from a related party three Panamax vessels for an aggregate price of \$39.3 million. Two of the vessels, the *Selina* and the *Ismene*, were delivered in March 2016 and the third vessel, the *Maera*, was delivered in May 2016. The Company had agreed to acquire the vessels from entities affiliated with Mrs. Semiramis Paliou and Mrs. Aliki Paliou, each of whom is a family member of the Company's Chief Executive Officer and Chairman of the Board. Mrs. Semiramis Paliou is also a director of the Company. The transaction was approved unanimously by a committee of the Board of Directors established for the purpose of considering the transaction and consisting of the Company's independent directors and each of its executive directors other than Mrs. Semiramis Paliou and Mr. Simeon Palios. The agreed upon purchase price of the vessels was based, among other factors, on independent third party broker valuations obtained by the Company.

In March 2016, we entered into a term loan agreement with ABN AMRO Bank N.V. for a loan of \$25.755 million, drawn on March 30, 2016, to finance the acquisition cost of the *Selina* and the *Ismene*.

On May 10, 2016, we entered into a term loan agreement with DNB Bank ASA and the CEXIM Bank for a loan of \$13.51 million, drawn on the same date, to finance the acquisition cost of the *Maera*.

In September 2016, we entered into an amendment to the loan agreement with Diana Containerships, pursuant to which the repayment of all outstanding principal amounts was deferred until the later of (i) the repayment or prepayment in full by Diana Containerships of a deferred amount under its loan agreement with The Royal Bank of Scotland plc, whose repayment was scheduled to commence on March 15, 2019 and to be completed not later than June 15, 2021, and (ii) September 15, 2018. The amendment also changed the borrower under the loan to another wholly-owned subsidiary of Diana Containerships and provided for an increase of the interest rate for the period between September 12, 2016 (the effective date of the amendment) and December 31, 2018 to 3.35% per annum over LIBOR.

In October 2016, we provided a notice of cancellation of the shipbuilding contract, dated January 2014 for the construction of Hull *DY6006* for a contract price of \$28.8 million, pursuant to our right under the contract to cancel the contract due to a delay in delivery of 150 days after the original delivery date and to claim a refund of the pre-delivery installment payments together with interest at a rate of 5% per annum, amounting to \$9.4 million, which was received in December 2016.

In December 2016, one of our wholly-owned subsidiaries, upon signing a settlement agreement with a former charterer, received an amount of \$5.5 million as partial payment pursuant to an arbitration award. The partial payment of the arbitration award is without prejudice, and we intend to seek the recovery of the balance of the award.

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

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

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

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

In June 2017, we refinanced our unsecured loan facility with Diana Containerships with a new secured loan facility of \$82.6 million, which includes the \$42.4 million outstanding principal balance as of June 30, 2017, increased by the flat fee of \$0.2 million payable at maturity, plus an additional loan amount to Diana Containerships of \$40.0 million. The loan also has an additional \$5.0 million interest-bearing amount, which is classified as discount premium. The loan matures on December 31, 2018, and bears interest at the rate of 6% per annum for the first twelve (12) months of the loan, scaled to 9% for the next three (3) months, and further scaled to 12% for the remaining three (3) months of the loan. The loan facility includes financial and other covenants. Additionally, Diana Containerships is required to prepay the loan with any proceeds received from equity offerings, loan refinancings and vessel sales, according to the terms of the loan agreement. As of the date of this annual report, the amount due from Diana Containerships under our loan agreement was \$74.2 million, following a prepayment of \$8.4 million in March 2018. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

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

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

B. Business overview

We are a global provider of shipping transportation services. We specialize in the ownership of dry bulk vessels. As of December 31, 2017 and the date of this report, our operating fleet consists of 50 dry bulk carriers, of which 22 are Panamax, five are Kamsarmax, five are Post-Panamax, 14 are Capesize and four are Newcastlemax vessels, having a combined carrying capacity of approximately 5.8 million dwt.

As of December 31, 2016, our fleet consisted of 46 vessels of which 23 were Panamax, four were Kamsarmax, three were Post-Panamax, 14 were Capesize and two were Newcastlemax vessels, having a combined carrying capacity of approximately 5.2 million dwt, and a weighted average age of 8.2 years. In addition, we had two vessels under construction which were delivered in January 2017.

As of December 31, 2015, our fleet consisted of 43 vessels of which 20 were Panamax, four were Kamsarmax, three were Post-Panamax, 14 were Capesize and two were Newcastlemax vessels, having a combined carrying capacity of approximately 5.0 million dwt, and a weighted average age of 7.4 years. In addition, we had three vessels under construction with expected delivery in 2016.

During 2017, 2016 and 2015, we had a fleet utilization of 98.2%, 99.4% and 99.3%, respectively, our vessels achieved daily time charter equivalent rates of \$8,568, \$6,106 and \$9,739, respectively, and we generated revenues of \$161.9 million, \$114.3 million and \$157.7 million, respectively.

The following table presents certain information concerning the dry bulk carriers in our fleet, as of March 14, 2018.

	Vessel BUILT DWT	Sister Ships*	Gross Rate (USD Per Day)	Com**	Charterers	Delivery Date to Charterers***	Redelivery Date to Owners****	Notes
22 Panamax Bulk Carriers								
1	DANAE 2001 75,106	A	\$10,000	5.00%	Phaethon International Company AG	22-Dec-17	22-Jan-19 - 7-May-19	
2	DIONE 2001 75,172	A	\$7,050 \$10,350	5.00% 5.00%	Caravel Shipping Limited, Hong Kong Ausca Shipping Limited, Hong Kong	3-Feb-17 23-Jan-18	23-Jan-18 23-Mar-19 - 8-Jul-19	1
3	NIREFS 2001 75,311	A	\$9,400	5.00%	Jaldhi Overseas Pte. Ltd., Singapore	5-May-17	5-Jun-18 - 5-Sep-18	
4	ALCYON 2001 75,247	A	\$8,800	5.00%	Hudson Shipping Lines Incorporated	20-Jul-17	20-Jul-18 - 20-Oct-18	
5	TRITON 2001 75,336	A	\$6,500	5.00%	Ausca Shipping Limited, Hong Kong	8-Jun-17	8-Jul-18 - 23-Oct-18	
6	OCEANIS 2001 75,211	A	\$7,000	5.00%	Ausca Shipping Limited, Hong Kong	30-May-17	30-Jul-18 - 14-Nov-18	
7	THETIS 2004 73,583	B	\$8,350	5.00%	Ausca Shipping Limited, Hong Kong	14-Jul-17	14-Jul-18 - 14-Oct-18	
8	PROTEFS 2004 73,630	B	\$7,900	5.00%	Hudson Shipping Lines Incorporated	24-Jun-17	24-Jun-18 - 9-Oct-18	
9	CALIPSO 2005 73,691	B	\$9,000 \$12,200	5.00% 5.00%	Transgrain Shipping B.V., Rotterdam Glencore Agriculture B.V., Rotterdam	14-Mar-17 12-Mar-18	2-Mar-18 28-May-19 - 12-Sep-19	2
10	CLIO 2005 73,691	B	\$8,550	5.00%	Phaethon International Company AG	9-Jul-17	9-Aug-18 - 9-Nov-18	
11	NAIAS 2006 73,546	B	\$10,000	5.00%	Phaethon International Company AG	26-Nov-17	11-Feb-19 - 26-May-19	
12	ARETHUSA 2007 73,593	B	\$7,200	5.00%	Noble Resources International Pte. Ltd., Singapore	23-Jan-17	20-Mar-18 - 27-Apr-18	3,4
13	ERATO 2004 74,444	C	\$10,500	5.00%	Phaethon International Company AG	30-Dec-17	2-Mar-19 - 30-May-19	
14	CORONIS 2006 74,381	C	\$9,000	5.00%	Narina Maritime Ltd	16-May-17	16-Apr-18 - 16-Jul-18	
15	MELIA 2005 76,225		\$9,500	5.00%	Nidera S.P.A., Roma	19-Mar-17	25-Mar-18 - 4-May-18	3,5
16	ARTEMIS 2006 76,942		\$9,000	5.00%	Ausca Shipping Limited, Hong Kong	8-Jul-17	8-Jul-18 - 8-Oct-18	
17	LETO 2010 81,297		\$7,750 \$12,500	5.00% 5.00%	Glencore Agriculture B.V., Rotterdam	29-Dec-16 10-Jan-18	10-Jan-18 10-May-19 - 25-Aug-19	
18	SELINA 2010 75,700	D	\$7,100 \$12,250	5.00% 5.00%	BG Shipping Co., Limited, Hong Kong	24-Jan-17 6-Feb-18	6-Feb-18 6-Jun-19 - 6-Sep-19	6
19	MAERA 2013 75,403	D	\$11,900	5.00%	Unico Logistics Co., Ltd., Seoul	19-Sep-17	19-Jun-18 - 19-Aug-18	
20	ISMENE 2013 77,901		\$12,000	5.00%	DHL Project & Chartering Limited, Hong Kong	16-Sep-17	16-Sep-18 - 16-Dec-18	
21	CRYSTALIA 2014 77,525	E	\$11,100	5.00%	Glencore Agriculture B.V., Rotterdam	3-Oct-17	3-Oct-18 - 18-Jan-19	
22	ATALANDI 2014 77,529	E	\$5,300	5.00%	Glencore Grain B.V., Rotterdam	26-Mar-16	23-Mar-18 - 26-Apr-18	3

5 Kamsarmax Bulk Carriers							
23	MAIA 2009 82,193	F	\$10,125	5.00%	Glencore Agriculture B.V., Rotterdam	27-Jul-17	27-Jul-18 - 27-Oct-18
24	MYRSINI 2010 82,117	F	\$8,650	5.00%	RWE Supply & Trading GmbH, Essen	8-Jun-17	31-Aug-18 - 31-Dec-18
25	MEDUSA 2010 82,194	F	\$10,000	4.75%	Cargill International S.A., Geneva	6-Jul-17	6-Jul-18 - 6-Oct-18
26	MYRTO 2013 82,131	F	\$8,000	4.75%	Cargill International S.A., Geneva	17-Jan-17	24-Mar-18 - 17-Apr-18 3,7
27	ASTARTE 2013 81,513		\$9,000	5.00%	Glencore Agriculture B.V., Rotterdam	12-Jun-17	12-Aug-18 - 12-Nov-18
5 Post-Panamax Bulk Carriers							
28	ALCMENE 2010 93,193		\$8,000	4.75%	Cargill International S.A., Geneva	8-Jun-17	8-Jul-18 - 23-Oct-18
29	AMPHITRITE 2012 98,697	G	\$11,150	4.75%	Cargill International S.A., Geneva	28-Sep-17	28-Oct-18 - 28-Jan-19
30	POLYMNIA 2012 98,704	G	\$10,100	4.75%	Cargill International S.A., Geneva	15-Mar-17	31-Mar-18 - 15-Jul-18
31	ELECTRA 2013 87,150	H	\$8,000	5.00%	Uniper Global Commodities SE, Düsseldorf	11-Jun-17	11-Jul-18 - 11-Nov-18
32	PHAIDRA 2013 87,146	H	\$7,750 \$12,700	5.00% 5.00%	Jera Trading Singapore Pte. Ltd. Uniper Global Commodities SE, Düsseldorf	19-May-17 13-Jan-18	13-Jan-18 13-Jan-19 - 13-Apr-19 8

14 Capesize Bulk Carriers

33	NORFOLK 2002 164,218		\$13,250	5.00%	SwissMarine Services S.A., Geneva	1-Dec-17	1-Sep-19 - 1-Dec-19	
34	ALIKI 2005 180,235		\$10,300	5.00%	SwissMarine Services S.A., Geneva	14-Feb-17	23-Mar-18 - 14-Apr-18	3
35	BALTIMORE 2005 177,243		\$11,300	4.75%	Cargill International S.A., Geneva	16-Feb-17	28-Mar-18 - 1-Jul-18	3
36	SALT LAKE CITY 2005 171,810		\$9,000	5.00%	Uniper Global Commodities SE, Düsseldorf	20-Jan-17	28-Mar-18 - 20-May-18	3
37	SIDERIS GS 2006 174,186	I	\$13,000	5.00%	Rio Tinto Shipping (Asia) Pte., Ltd., Singapore	21-Jun-17	21-Jul-18 - 21-Nov-18	
38	SEMIRIO 2007 174,261	I	\$14,150	5.00%	Koch Shipping Pte. Ltd., Singapore	21-May-17	21-May-18 - 21-Sep-18	
39	BOSTON 2007 177,828	I	\$17,000	5.00%	EGPN Bulk Carrier Co., Limited, Hong Kong	6-Dec-17	6-Apr-19 - 6-Jul-19	
40	HOUSTON 2009 177,729	I	\$10,000	5.00%	SwissMarine Services S.A., Geneva	17-Feb-17	27-Mar-18 - 17-May-18	3,9
41	NEW YORK 2010 177,773	I	\$14,450	5.00%	Koch Shipping Pte. Ltd., Singapore	23-Apr-17	2-Feb-18	10
			\$16,000	5.00%	DHL Project & Chartering Limited, Hong Kong	2-Feb-18	2-Jun-19 - 2-Sep-19	
42	SEATTLE 2011 179,362	J	\$11,700	5.00%	Koch Shipping Pte. Ltd., Singapore	8-Feb-17	8-Apr-18 - 23-Jul-18	
43	P. S. PALIOS 2013 179,134	J	\$10,550	5.00%	Koch Shipping Pte. Ltd., Singapore	27-Jan-17	26-Mar-18 - 11-Jun-18	3
44	G. P. ZAFIRAKIS 2014 179,492	K	\$15,000	5.00%	RWE Supply & Trading GmbH, Essen	14-Aug-17	29-Sep-18 - 14-Jan-19	
45	SANTA BARBARA 2015 179,426	K	\$12,000	4.75%	Cargill International S.A., Geneva	24-Jan-17	25-Mar-18 - 24-Apr-18	3
46	NEW ORLEANS 2015 180,960		\$11,250	5.00%	Koch Shipping Pte. Ltd., Singapore	10-Dec-16	22-Mar-18 - 10-Apr-18	3

4 Newcastlemax Bulk Carriers								
47	LOS ANGELES	L	BCI_2014 5TCs AVG + 14%	5.00%	SwissMarine Services S.A., Geneva	22-Jan-17	22-Mar-18 - 22-Apr-18	3
	2012 206,104							
48	PHILADELPHIA	L	\$15,500	5.00%	Koch Shipping Pte. Ltd., Singapore	14-Mar-17	24-Mar-18 - 29-Apr-18	3
	2012 206,040							
49	SAN FRANCISCO	M	\$11,750	5.00%	Koch Shipping Pte. Ltd., Singapore	5-Jan-17	26-Mar-18 - 20-May-18	3
	2017 208,006							
50	NEWPORT NEWS	M	BCI_2014 5TCs AVG + 24%	5.00%	SwissMarine Services S.A., Geneva	10-Jan-17	10-Nov-18 - 10-Mar-19	
	2017 208,021							

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

** Total commission percentage paid to third parties.

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

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

1 The charter rate was US\$7,200 for the first ninety (90) days of the charter period.

2 Vessel on scheduled drydocking from March 4, 2018 to March 12, 2018.

3 Based on latest information.

4 Vessel off-hire for drydocking from January 23, 2018 to February 27, 2018.

5 Since September 17, 2017, Charterers have changed to COFCO Agri Freight SA.

6 The charter rate was US\$4,500 for the first thirty (30) days of the charter period.

7 Vessel off-hire for drydocking from December 24, 2017 to January 12, 2018.

8 Charterers have agreed to pay the weighted average of the 4 T/C routes, as published by the Baltic Exchange on January 3, 2018 plus 12%, for the excess period commencing from January 3, 2018.

9 The charter rate was US\$5,150 for the first fifteen (15) days of the charter period.

10 Charterers have agreed to pay the weighted average of the 5 T/C routes, as published by the Baltic Exchange on January 2, 2018 plus 10%, for the excess period commencing from December 29, 2017.

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

Since June 1, 2010, Diana Enterprises Inc., renamed to Steamship Shipbroking Enterprises Inc., or Steamship, a related party controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides brokerage services to us. Brokerage fees are included in "General and Administrative expenses" in our statement of operations. The terms of this relationship are currently governed by a Brokerage Services Agreement dated April 1, 2017.

Our Customers

Our customers include national, regional and international companies, such as Cargill International S.A., Glencore Grain B.V., EDF Trading Ltd, RWE Supply and Trading GmbH, Clearlake Shipping Pte Ltd, Koch Shipping Pte Ltd and Swissmarine Services S.A. During 2017, three of our charterers accounted for 43% of our revenues: Koch (17%), Swissmarine (14%), and Cargill (12%). During 2016, four of our charterers accounted for 54% of our revenues: RWE Supply (19%), Swissmarine (15%), Cargill (10%) and Glencore (10%). During 2015, four of our charterers accounted for 66% of our revenues: EDF Trading (10%), Glencore (20%), RWE Supply (24%) and Clearlake (12%).

We charter our dry bulk carriers to customers pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. In 2017, we paid commissions that ranged from 4.75% to 5.0% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter.

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

The Dry Bulk Shipping Industry

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

Very Large Ore Carriers. Very large ore carriers, or VLOCs, have a carrying capacity of more than 200,000 dwt and are a comparatively new sector of the dry bulk carrier fleet. VLOCs are built to exploit economies of scale on long-haul iron ore routes.

Capesize. Capesize vessels have a carrying capacity of 110,000-199,999 dwt. Only the largest ports around the world possess the infrastructure to accommodate vessels of this size. Capesize vessels are primarily used to transport iron ore or coal and, to a much lesser extent, grains, primarily on long-haul routes.

Post-Panamax. Post-Panamax vessels have a carrying capacity of 80,000-109,999 dwt. These vessels tend to have a shallower draft and larger beam than a standard Panamax vessel with a higher cargo capacity. These vessels have been designed specifically for loading high cubic cargoes from draught restricted ports, although they cannot transit the Panama Canal.

Panamax. Panamax vessels have a carrying capacity of 60,000-79,999 dwt. These vessels carry coal, iron ore, grains, and, to a lesser extent, minor bulks, including steel products, cement and fertilizers. Panamax vessels are able to pass through the Panama Canal, making them more versatile than larger vessels with regard to accessing different trade routes. Most Panamax and Post-Panamax vessels are "gearless," and therefore must be served by shore-based cargo handling equipment. However, there are a small number of geared vessels with onboard cranes, a feature that enhances trading flexibility and enables operation in ports which have poor infrastructure in terms of loading and unloading facilities.

Handymax/Supramax. Handymax vessels have a carrying capacity of 40,000-59,999 dwt. These vessels operate in a large number of geographically dispersed global trade routes, carrying primarily grains and minor bulks. Within the Handymax category there is also a sub-sector known as Supramax. Supramax bulk carriers are ships between 50,000 to 59,999 dwt, normally offering cargo loading and unloading flexibility with on-board cranes, or "gear," while at the same time possessing the cargo carrying capability approaching conventional Panamax bulk carriers.

Handysize. Handysize vessels have a carrying capacity of up to 39,999 dwt. These vessels are primarily involved in carrying minor bulk cargoes. Increasingly, ships of this type operate within regional trading routes, and may serve as trans-shipment feeders for larger vessels. Handysize vessels are well suited for small ports with length and draft restrictions. Their cargo gear enables them to service ports lacking the infrastructure for cargo loading and unloading.

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

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The average age at which a vessel is scrapped was 25 years in 2017, 23 years in 2016 and 25 years in 2015.

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 2015, the BDI ranged from a high of 1,222 in August to a low of 471 in December. In 2016, the BDI ranged from a record low of 290 in February to a high of 1,257 in November. In 2017, the BDI ranged from a low of 685 in February to a high of 1,743 in December.

Vessel Prices

Dry bulk vessel values increased in 2017 as compared to 2016 and 2015. Consistent with these trends, the market value of our dry bulk carriers had also increased. As charter rates and vessel values remain at relatively low levels, there can be no assurance as to how long charter rates and vessel values will remain at their current levels or whether they will decrease or improve to any significant degree in the near future.

Competition

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

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

We own a modern, high quality fleet of dry bulk carriers. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing favorable time charters. We maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea, and adopting a comprehensive maintenance program for each vessel.

Our fleet includes thirteen groups of sister ships. We believe that maintaining a fleet that includes sister ships enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. The uniform nature of sister ships also improves our operating efficiency by allowing our fleet manager to apply the technical knowledge of one vessel to all vessels of the same series and creates economies of scale that enable us to realize cost savings when maintaining, supplying and crewing our vessels.

We have an experienced management team. Our management team consists of experienced executives who have, on average, more than 30 years of operating experience in the shipping industry and has demonstrated ability in managing the commercial, technical and financial areas of our business. Our management team is led by Mr. Simeon Palios, a qualified naval architect and engineer who has more than 40 years of experience in the shipping industry.

We benefit from the experience and reputation of Diana Shipping Services S.A. and the relationship with Wilhelmsen Ship Management through the Diana Wilhelmsen Management Limited joint venture.

We benefit from strong relationships with members of the shipping and financial industries. We have developed strong relationships with major international charterers, shipbuilders and financial institutions that we believe are the result of the quality of our operations, the strength of our management team and our reputation for dependability.

We have a strong balance sheet and a relatively low level of indebtedness. We believe that our strong balance sheet and relatively low level of indebtedness provide us with the flexibility to increase the amount of funds that we may draw under our loan facilities in connection with any future acquisitions or otherwise and enable us to use cash flow that would otherwise be dedicated to debt service for other purposes.

Permits and Authorizations

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

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

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

Pursuant to Section 13(r) of the Exchange Act, we note that for the period covered by this annual report, one of our vessels made one port call to Iran in 2017.

The vessel *Thetis* made a call to the port of Bandar Imam Khomeini on February 25, 2017, discharging corn, and remained in the port of Bandar Imam Khomeini during 2017 for seven days. During this time the *Thetis* was on time charter to Transgrain Shipping B.V., Rotterdam at a gross rate of \$5,150 per day.

The aggregate gross revenue attributable to these seven days that our vessel remained in the port of Bandar Imam Khomeini was \$36,050. As we do not attribute profits to specific voyages under a time charter, we have not attributed any profits to the voyages which included this port call. Our charter party agreements for our vessels restrict the charterers 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 vessel referenced above 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 in the Shipping Industry

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

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

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 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 U.S. and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

It should be noted that the United States is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding environmental regulations, specifically targeting the U.S. offshore energy strategy, which may affect parts of the maritime industry and our operations. Furthermore, recent action by the IMO's Maritime Safety Committee and U.S. agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship owners and managers by 2021. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

International Maritime Organization (IMO)

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels, or the IMO, has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as MARPOL, adopted the International Convention for the Safety of Life at Sea of 1974, or the SOLAS Convention, and the International Convention on Load Lines of 1966, or the LL Convention. MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LPG 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 in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

Air Emissions

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

The IMO's Marine Environmental Protection Committee, or MEPC, adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from the current 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention, or IAPP, Certificates from their flag states that specify sulfur content. This subjects ocean-going vessels in these areas to stringent emissions controls, and may cause us to incur additional costs.

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

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built after January 1, 2021. The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late 2009. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI is effective on March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection commencing on January 1, 2019.

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

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

Safety Management System Requirements

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims, or the LLMC, sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that all of our vessels are in substantial compliance with SOLAS and LL Convention standards. Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

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

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

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code, or the IMDG Code. Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, or the STCW. As of February 2017, all seafarers are required to meet the STCW standards and be fully certified in accordance with the revised STCW amendments. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in 2004. The BWM Convention entered into force on September 9, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention, or IOPP, renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D2 standard on or after September 8, 2019. For most ships, compliance with the D2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Costs of compliance may be substantial.

Once mid-ocean ballast or exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The United States, for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. The costs of compliance with a mandatory mid-ocean ballast exchange could be material, and it is difficult to predict the overall impact of such a requirement on our operations.

Compliance Enforcement

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

U.S. Regulations

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

The U.S. Oil Pollution Act of 1990, or the OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade or operate with the United States, its territories and possessions or whose vessels operate in U.S. 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, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of \$1,100 per gross ton or \$939,800 (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 damages 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 USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We plan to comply with the USCG's financial responsibility regulations by providing a certificate of responsibility evidencing sufficient self-insurance.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including the raising of liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, the status of several of these initiatives and regulations is currently in flux. For example, the U.S. Bureau of Safety and Environmental Enforcement, or the BSEE, announced a new Well Control Rule in April 2016, but pursuant to orders by the U.S. President in early 2017, the BSEE announced in August 2017 that this rule would be revised. In January 2018, the U.S. President proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling, vastly expanding the U.S. waters that are available for such activity over the next five years. The effects of the proposal are currently unknown. 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. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

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

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

Other United States Environmental Initiatives

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

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

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA requires a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or the VGP. On March 28, 2013, the EPA re-issued the VGP for another five years from the effective date of December 19, 2013. The 2013 VGP focuses on authorizing discharges incidental to operations of commercial vessels, and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants. For a new vessel delivered to an owner or operator after December 19, 2013 to be covered by the VGP, the owner must submit a Notice of Intent, or NOI, at least 30 days (or 7 days for eNOIs) before the vessel operates in United States waters. We have submitted NOIs for our vessels where required.

The USCG regulations adopted under the U.S. National Invasive Species Act, or NISA, impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters, which require the installation of certain engineering equipment and water treatment systems to treat ballast water or the implementation of other port facility disposal arrangements or procedures, and/or may otherwise restrict our vessels from entering U.S. waters. The USCG has 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. As of January 1, 2014, vessels were technically subject to the phasing-in of these standards, and the USCG must approve any technology before it is placed on a vessel. The USCG first approved said technology in December 2016, and continues to review ballast water management systems. The USCG has set up requirements for ships constructed before December 1, 2013 with ballast tanks trading with exclusive economic zones of the U.S. to install water ballast treatment systems as follows: (1) ballast capacity 1,500-5,000m³—first scheduled drydock after January 1, 2014; and (2) ballast capacity above 5,000m³—first scheduled drydock after January 1, 2016. All of our vessels have ballast capacities over 5,000m³, and those of our vessels trading in the U.S. will have to install water ballast treatment plants at their first drydock after January 1, 2016, unless an extension is granted by the USCG.

The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers. In addition, through the CWA certification provisions that allow U.S. states to place additional conditions on the use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast requirements including, in some states, specific treatment standards. Compliance with the EPA, USCG and state regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

Two recent United States court decisions should be noted. First, in October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remain in effect until the EPA issues a new VGP. The effect of such redrafting remains unknown. Second, on October 9, 2015, the Sixth Circuit Court of Appeals stayed the Waters of the United States, or WOTUS, rule, which aimed to expand the regulatory definition of "waters of the United States," pending further action of the court. In response, regulations have continued to be implemented as they were prior to the stay on a case-by-case basis. In February 2017, the U.S. President issued an executive order directing the EPA and U.S. Army Corps of Engineers publish a proposed rule rescinding or revising the WOTUS rule. In January 2018, the EPA and Army Corps of Engineers issued a final rule pursuant to the President's order, under which the Agencies will interpret the term "waters of the United States" to mean waters covered by the regulations, as they are currently being implemented, within the context of the Supreme Court decisions and agency guidance documents, until February 6, 2020. Litigation regarding the status of the WOTUS rule is currently underway, and the effect of future actions in these cases upon our operations is unknown.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually starting on January 1, 2018, which may cause us to incur additional expenses.

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

International Labour Organization

The International Labor Organization, or the ILO, is a specialized agency of the United Nations that has adopted the Maritime Labor Convention 2006, or the MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. We believe that all of our vessels are in substantial compliance with and are certified to meet MLC 2006.

Greenhouse Gas Regulation

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

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, initial IMO strategy for reduction of greenhouse gas emissions is expected to be adopted at MEPC 72 in April 2018. The IMO may implement market-based mechanisms to reduce greenhouse gas emissions from ships at the upcoming MEPC session.

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

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions. The outcome of this order is not yet known. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, the EPA or individual U.S. states could enact environmental regulations that would affect our operations. For example, California has introduced a cap-and-trade program for greenhouse gas emissions, aiming to reduce emissions 40% by 2030.

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

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002, or MTSA. To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA. Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port 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. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The following are among the various requirements, some of which are found in the SOLAS Convention:

on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;

the development of vessel security plans;

ship identification number to be permanently marked on a vessel's hull;

a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

compliance with flag state security certification requirements.

The USCG regulations, intended to 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 the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

Inspection by Classification Societies

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

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Risk of Loss and Liability Insurance

General

The operation of any 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 U.S. 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, among other marine risks, the risk of actual or constructive total loss, for all of our vessels. Our vessels are each covered up to at least fair market value with deductibles ranging to a maximum of \$100,000 per vessel per incident for Panamax, Kamsarmax and Post-Panamax vessels and \$150,000 per vessel per incident for Capesize and Newcastlemax vessels.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, 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.

C. Organizational structure

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

D. Property, plants and equipment

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

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

A. Operating results

We charter our vessels to customers pursuant to short-term, medium-term and long-term time charters. Currently, the majority of our vessels are employed on short-term and medium-term time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. However, our voyage results may be affected by differences in bunker prices. We remain responsible for paying the chartered 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,		
	2017	2016	2015
Ownership days	18,119	16,542	14,900
Available days	17,890	16,447	14,600
Operating days	17,566	16,354	14,492
Fleet utilization	98.2%	99.4%	99.3%
Time charter equivalent (TCE) rate (1)	\$ 8,568	\$ 6,106	\$ 9,739

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

Lack of Historical Operating Data for Vessels before Their Acquisition

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

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

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

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

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

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

Our business is mainly comprised of the following elements:

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

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

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans (ISPS);
- obtaining of ISM certification and audit for each vessel within the six months of taking over a vessel;
- vessel hiring management;
- vessel surveying; and
- vessel performance monitoring.

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

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

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

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

Time Charter Revenues

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

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

Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market generate revenues that are less predictable but may enable their owners to capture increased profit margins during periods of improvements in charter rates although their owners would be exposed to the risk of declining charter rates, which may have a materially adverse impact on financial performance. As we employ vessels on period charters, future spot charter rates may be higher or lower than the rates at which we have employed our vessels on period charters. Our time charter agreements subject us to counterparty risk. In depressed market conditions, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts. Should a counterparty fail to honor their obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows. For 2018, we expect our revenues to increase compared to 2017, mainly due to better charter rates expected.

Voyage Expenses

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

We currently pay commissions ranging from 4.75% to 5.00% of the total daily charter hire rate of each charter to unaffiliated ship brokers, in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition we pay a commission to DWM and to DSS for those vessels for which they provide commercial management services. The commissions paid to DSS are eliminated from our consolidated financial statements as intercompany transactions. For 2018, we expect our voyage expenses to increase compared to 2017, following the expected increase in revenues.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, environmental plan costs and other operating expenses. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet with the exception of 2016 when operating expenses decreased despite the enlargement of our fleet, as a result of our efforts to decrease costs without compromising the quality and seaworthiness of our vessels. For 2018, we expect our operating expenses to remain at the same levels as in 2017 despite an average increase expected in the ownership days, as a result of our continuous effort to keep expenses at low levels.

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. The salvage value of all of our vessels is \$250 per lightweight ton. Our depreciation charges have increased in recent periods due to the enlargement of our fleet. For 2018, we expect depreciation expense to decrease by about 40% compared to 2017, as a result of the impairment recorded in 2017 for 20 vessels in our fleet.

General and Administrative Expenses

We incur general and administrative expenses which include our onshore related expenses such as payroll expenses of employees, executive officers, directors and consultants, compensation cost of restricted stock awarded to senior management and non-executive directors, traveling, promotional and other expenses of the public company, such as legal and professional expenses and other general expenses. For 2018, we expect our general and administrative expenses to remain at current levels.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with vessel-specific debt and since May 2015 in connection with our Notes. As at December 31, 2017 our debt amounted to \$604.8 million, including our Notes issued in May 2015 at a fixed rate of 8.5%. 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 2018, we expect interest and finance expenses to remain at current levels, as a result of decreasing indebtedness but increased interest rates.

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

In "Critical Accounting Policies – Impairment of long-lived assets," we discuss our policy for impairing the carrying values of our vessels. Historically, the market values of vessels have experienced volatility, which from time to time may be substantial. As a result, the charter-free market value of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy. In 2017, we recorded impairment charges for 20 vessels in our fleet, as our impairment test exercise indicated that their carrying values were not recoverable.

Based on: (i) the carrying value of each of our vessels as of December 31, 2017 and 2016, consisting of the net book value of the vessels and the unamortized value of deferred dry-dock and special surveys cost and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2017 and 2016, the aggregate carrying value of 22 and 43 of the vessels in our fleet as of December 31, 2017 and 2016, respectively, exceeded their aggregate charter-free market value by approximately \$114 million and \$728 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, 2017 and 2016, on a charter-free basis, on industry standard terms, in cash transactions, and to a willing buyer where we were not under any compulsion to sell, and where the buyer was not under any compulsion to buy. For purposes of this calculation, we have assumed that these 22 and 43 vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2017 and 2016, respectively. As of December 31, 2017 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 factor in "Item 3. Key Information—D. Risk Factors" entitled "The market values of our vessels have declined and may further decline, which could limit the amount of funds that we can borrow and could trigger breaches of certain financial covenants contained in our current and future loan facilities, which could adversely affect our operating results, and we may incur a loss if we sell vessels following a decline in their market values" and the discussion under the heading "Item 4. Information on the Company—B. Business Overview—Vessel Prices."

	Vessel	Dwt	Year Built	Carrying Value (in millions of US dollars)	
				2017	2016
1	Alcmene	93,193	2010	15.5	31.6 *
2	Alcyon	75,247	2001	8.3	9.1 *
3	Aliki	180,235	2005	17.1	65.5 *
4	Amphitrite	98,697	2012	19.6	21.3 *
5	Arethusa	73,593	2007	11.4	23.1 *
6	Artemis	76,942	2006	16.2 *	17.3 *
7	Astarte	81,513	2013	22.7 *	
8	Atalandi	77,529	2014	20.8	28.4 *
9	Baltimore	177,243	2005	21.8 *	23.2 *
10	Boston	177,828	2007	20.4	71.8 *
11	Calipso	73,691	2005	11.6 *	12.4 *
12	Clio	73,691	2005	11.9 *	12.6 *
13	Coronis	74,381	2006	10.6	25.0 *
14	Crystalia	77,525	2014	20.5	28.0 *
15	Danae	75,106	2001	9.6 *	10.6 *
16	Dione	75,172	2001	9.5 *	10.5 *
17	Electra	87,150	2017	18.6	
18	Erato	74,444	2004	9.6	22.0 *
19	G.P. Zafirakis	179,492	2014	51.4 *	53.4 *
20	Houston	177,729	2009	24.1	46.3 *
21	Ismene	77,901	2013	13.2	13.7
22	Leto	81,297	2010	17.4	26.1 *
23	Los Angeles	206,104	2012	47.7 *	49.5 *
24	Maera	75,403	2013	13.3	13.3
25	Maia	82,193	2009	16.6	17.4 *
26	Medusa	82,194	2010	16.3	17.0 *
27	Melia	76,225	2005	15.0 *	16.1 *
28	Melite (**)		2004		23.6 *
29	Myrsini	82,117	2010	19.0 *	20.0 *
30	Myrto	82,131	2013	22.2 *	23.0 *
31	Naias	73,546	2006	10.9	24.4 *
32	New Orleans	180,960	2015	40.2 *	41.7 *
33	New York	177,773	2010	45.0 *	47.4 *
34	Newport News	208,021	2017	50.6 *	
35	Nirefs	75,311	2001	8.3	9.1 *
36	Norfolk	164,218	2002	12.0	76.2 *
37	Oceanis	75,211	2001	8.7 *	9.7 *
38	P.S. Palios	179,134	2013	44.7 *	46.3 *
39	Phaidra	87,146	2013	18.3	
40	Philadelphia	206,040	2012	48.5 *	50.3 *
41	Polymnia	98,704	2012	19.9	21.2 *
42	Protefs	73,630	2004	11.5 *	12.0 *
43	Salt Lake City	171,810	2005	17.3	101.9 *
44	San Francisco	208,006	2017	50.7 *	
45	Santa Barbara	179,426	2015	45.0 *	46.8 *
46	Seattle	179,362	2011	26.4	27.8 *
47	Selina	75,700	2010	11.1	11.5
48	Semirio	174,261	2007	19.3	62.5 *
49	Sideris GS	174,186	2006	18.3	56.9 *
50	Thetis	73,583	2004	9.5	21.8 *
51	Triton	75,336	2001	8.5 *	9.3 *
	Total	5,837,330		1,056	1,409

(**) Melite was sold for scrap in October 2017 after a grounding incident

*Indicates dry bulk vessels for which we believe, as of December 31, 2017 and 2016, 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 \$114 million and \$728 million, respectively.

Critical Accounting Policies

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

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

Accounting for Revenues and Expenses

Revenues are generated from time charter agreements 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 and compensation paid by the charterer due to earlier than agreed redelivery of the vessel to the owner are 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, 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. All vessel operating expenses are expensed as incurred.

Loan Receivable from Related Parties

Our loan receivable from related parties is with Diana Containerships and is presented net of any provision for credit losses. Interest income and fees deriving from the agreement are recorded as incurred. At each balance sheet date, amounts due under the receivable loan agreement are assessed for purposes of determining the appropriate provision for credit losses. We have assessed 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, equity offerings, sale plans, historical losses, and other risks/factors that may affect its future financial condition and its ability to meet its obligations. As a result of this assessment, we did not record any provision for credit losses, as we determined that Diana Containerships will be able to meet its obligations under the loan in the near future.

Impairment of Long-lived Assets

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

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

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

	Average estimated daily time charter equivalent rate used	Average break even rate
Panamax/Kamsarmax/Post-Panamax	\$ 10,144	\$ 9,170
Capesize/Newcastlemax	\$ 14,226	\$ 11,894

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

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

	1-year (period)	Impairment charge (in USD million)	3-year (period)	Impairment charge (in USD million)	5-year (period)	Impairment charge (in USD million)
Panamax/Kamsarmax/Post-Panamax	\$ 10,665	-	\$ 8,140	18	\$ 9,311	10
Capesize/Newcastlemax	\$ 13,996	37	\$ 10,462	96	\$ 13,779	63

Results of Operations

Year ended December 31, 2017 compared to the year ended December 31, 2016

Time Charter Revenues. Time charter revenues increased by \$47.6 million, or 42%, to \$161.9 million in 2017, compared to \$114.3 million in 2016. The increase was due to increased time charter rates which resulted in a 40% increase in our average charter rates from \$6,106 in 2016 to \$8,568 in 2017. This increase was also due to increased revenues due to a 10% increase of our ownership days resulting from the delivery of the *Ismene* and the *Selina* in March 2016; the *Maera* in May 2016; the *San Francisco* and *Newport News* in January 2017; and the *Electra*, *Phaidra* and *Astarte* in May 2017. This increase was partly offset by decreased revenues due to increased drydock and off hire days in 2017 compared to 2016, for which our vessels did not earn revenue. In 2017 we had total operating days of 17,566 and fleet utilization of 98.2%, compared to 16,354 total operating days and a fleet utilization of 99.4% in 2016.

Voyage Expenses. Voyage expenses decreased by \$5.2 million, or 38%, to \$8.6 million in 2017 compared to \$13.8 million in 2016. This decrease in voyage expenses is primarily attributable to bunkers which resulted in gain of \$0.2 million compared to loss of \$7.5 million in 2016. This decrease was partly offset by increased commissions in 2017 compared to 2016 due to the increase in revenues.

Vessel Operating Expenses. Vessel operating expenses increased by \$4.4 million, or 5%, to \$90.4 million in 2017 compared to \$86.0 million in 2016. The increase in operating expenses is primarily attributable to the 10% increase in ownership days resulting from the delivery of the new vessels to our fleet in 2017 and to increased expenses for repairs and maintenance. This increase was partly offset by decreased costs in all other operating expense categories. Daily operating expenses were \$4,987 in 2017 compared to \$5,196 in 2016, representing a 4% decrease.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by \$5.4 million, or 7%, to \$87.0 million in 2017, compared to \$81.6 million in 2016. This increase was due to the enlargement of our fleet. Additionally, the increase in depreciation and amortization was due to increased amortization of deferred drydocking costs in 2017 compared to 2016.

General and Administrative Expenses. General and Administrative Expenses increased by \$0.8 million, or 3%, to \$26.3 million in 2017 compared to \$25.5 million in 2016. The increase is mainly attributable to increased payroll cost and was partly offset by decreased legal fees and board of directors' expenses.

Management fees to related party. Management fees to a related party amounted to \$1.9 million in 2017 compared to \$1.5 million in 2016. The increase is attributable to the increased average number of vessels managed by DWM in 2017 compared to 2016.

Impairment loss. Impairment loss includes \$422.5 million non-cash impairment recorded for 20 vessels in our fleet whose carrying value was written down to their market value. Impairment loss also includes \$19.8 million non-cash impairment in the cost of the *Melite*, which was grounded in July 2017, resulting in the total loss of the vessel.

Insurance recoveries, net of other loss. Insurance recoveries, net of other loss includes the proceeds received by the Hull and Machinery insurers of the *Melite*, after her grounding in July 2017, decreased by other costs incurred due to the grounding of the vessel and sale expenses.

Interest and finance costs. Interest and finance costs increased by \$4.7 million, or 21%, to \$26.6 million in 2017 compared to \$21.9 million in 2016. The increase is primarily attributable to higher average interest rates, and to increased average long term debt outstanding during 2017 compared to 2016. Interest expense in 2017 amounted to \$25.0 million compared to \$19.5 million 2016.

Interest and other income. Interest and other income increased by \$2.1 million, or 88%, to \$4.5 million in 2017 compared to \$2.4 million in 2016. The increase is attributable to increased interest income from our loan agreement with Diana Containerships, resulting from the increase in interest rates and average debt.

Loss from equity method investments. Loss from equity method investments is mainly attributable to loss from our investment in Diana Containerships amounting to \$5.7 million in 2017. This amount included an impairment charge of \$3.1 million and \$0.8 million loss from the sale of the investment. This compared to a loss of \$56.5 million in 2016, which included a \$17.6 million impairment. This loss also includes a minor gain in 2017 from DWM, our 50% owned joint venture established in 2015, and a \$0.1 million gain in 2016.

Year ended December 31, 2016 compared to the year ended December 31, 2015

Time Charter Revenues. Time charter revenues decreased by \$43.4 million, or 28%, to \$114.3 million in 2016, compared to \$157.7 million in 2015. The decrease was due to decreased time charter rates which resulted in a 37% decrease of our average charter rates from \$9,739 in 2015 to \$6,106 in 2016. This decrease was partly offset by increased revenues due to an 11% increase of our ownership days resulting from the delivery of the *Santa Barbara* in January 2015; the *Medusa* in June 2015; the *New Orleans* and the *Seattle* in November 2015; the *Ismene* and the *Selina* in March 2016 and the *Maera* in May 2016; and the decreased drydock days, for which our vessels did not earn revenue as they were not available for charter, compared to last year. In 2016 we had total operating days of 16,354 and fleet utilization of 99.4%, compared to 14,492 total operating days and a fleet utilization of 99.3% in 2015.

Voyage Expenses. Voyage expenses decreased by \$1.7 million, or 11%, to \$13.8 million in 2016 compared to \$15.5 million in 2015. This decrease in voyage expenses is primarily attributable to the decrease in commissions due to the decrease in revenues.

Vessel Operating Expenses. Vessel operating expenses decreased by \$2.3 million, or 3%, to \$86.0 million in 2016 compared to \$88.3 million in 2015. The decrease in operating expenses is primarily attributable to decreased operating expenses for insurances, stores and spares, repairs and environmental costs and was a result of our efforts to minimize costs due to the depressed market conditions without compromising the vessels' operations and safety. This decrease was partly offset by increased costs due to the 11% increase in ownership days resulting from the delivery of the new vessels to our fleet in 2016. The increase was also due to increased tonnage taxes and other operating expenses. Daily operating expenses were \$5,196 in 2016 compared to \$5,924 in 2015, representing a 12% decrease.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by \$5.3 million, or 7%, to \$81.6 million in 2016, compared to \$76.3 million in 2015. This increase was due to the enlargement of our fleet. Additionally, the increase in depreciation and amortization was due to increased amortization of deferred drydocking costs compared to 2015.

General and Administrative Expenses. General and Administrative Expenses increased by \$0.2 million, or 1%, to \$25.5 million in 2016 compared to \$25.3 million in 2015. The increase is mainly attributable to increased payroll taxes which increased payroll cost and was partly offset by decreased professional fees.

Management fees to related party. Management fees to a related party amounted to \$1.5 million compared to \$0.4 million in 2015 and represent management fees paid to DWM for the technical management of six vessels gradually transferred to DWM from DSS after August 2015 until November 2016 and seven thereafter.

Gain on contract termination. Gain on contract termination represented an amount received during the year by former charterers as partial reimbursement for early redelivery during 2013 of one of our vessels.

Interest and Finance Costs. Interest and finance costs increased by \$6.3 million, or 40%, to \$21.9 million in 2016 compared to \$15.6 million in 2015. The increase is primarily attributable to higher average interest rates, especially after the issuance of our Notes in May 2015 at a fixed rate of 8.5% and on increased average long term debt outstanding during 2016 compared to 2015. Interest expense in 2016 amounted to \$19.5 million compared to \$13.9 million 2015.

Interest and Other Income. Interest and other income decreased by \$0.8 million, or 25%, to \$2.4 million in 2016 compared to \$3.2 million in 2015. The decrease is attributable to decreased interest income which derived from our loan agreement with Diana Containerships, dated May 20, 2013, and as amended on July 28, 2014, September 9, 2015, December 3, 2015 and September 12, 2016, since after the September 9, 2015 amendment the interest rate was reduced from 5% over LIBOR to 3% over LIBOR and there were principal repayments of \$5.0 million per annum, while, after the September 12, 2016 amendment, the interest rate increased to 3.35% as the annual repayments were deferred.

Gain/(Loss) from Equity Method Investments. Loss from our investment in Diana Containerships amounted to \$56.5 million in 2016 and was due to loss incurred by Diana Containerships, our dilution from the decrease in our share ownership from 26.08% as at December 31, 2015 to 25.73% as at December 31, 2016 and an impairment charge of \$17.6 million recognized on September 30, 2016 calculated on the fair value of the investment on that date. This compared to a loss of \$5.0 million in 2015. Additionally, loss from equity method investments was partly offset by a \$0.1 million gain from DWM, our 50% owned joint venture established in 2015.

Inflation

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

B. Liquidity and Capital Resources

We have historically financed our capital requirements with cash flow from operations, equity contributions from shareholders, long-term bank debt and since May 2015 with our Notes. Our main uses of funds have been capital expenditures for the acquisition and construction of new vessels, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards and repayments of bank loans. We will require capital to fund ongoing operations, vessel improvements to meet requirements under new regulations, debt service and the payment of our preferred dividends. As at December 31, 2017 and 2016, working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to \$58.3 million and \$37.1 million, respectively. The increase in working capital was mainly due to the loan due from Diana Containerships, which became current and the increase of operating cash flows in 2017, compared to 2016 when we had an operating loss. For 2018, we believe that anticipated improved charter rates will result in internally generated cash flows along with cash on hand which will be sufficient to fund our capital requirements. However, we may also incur additional debt or issue additional equity, if deemed necessary to fund our capital requirements in the next twelve months.

Cash Flow

Cash and cash equivalents, including restricted cash, was \$65.8 million as at December 31, 2017 and \$121.1 million as at December 31, 2016. Restricted cash mainly consists of the amount kept against the Company's loan facilities. As at December 31, 2017 and 2016, restricted cash amounted to \$25.6 million and \$23.0 million, respectively and in 2017 also included \$0.6 million of pledged cash provided as guarantee to third parties. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided By/(Used In) Operating Activities

Net cash provided by operating activities increased by \$44.4 million to \$23.4 million in 2017 compared to \$21.0 million net cash used in operating activities in 2016. This increase in cash from operating activities was mainly attributable to the increase in charter rates during the year, partly offset by increased drydocking costs.

Net cash used in operating activities was \$21.0 million in 2016 compared to net cash provided by operating activities of \$23.9 million in 2015. The decrease was mainly attributable to the decrease in charter rates during the year.

Net Cash Used In Investing Activities

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

Net cash used in investing activities was \$41.6 million for 2016, which consists of \$50.9 million paid for predelivery installments for our vessels under construction and the acquisition of three vessels during the year; \$9.4 million of proceeds received due to the cancellation of a shipbuilding contract consisting of predelivery installments paid until then and interest; \$0.1 million of dividends received from Diana Containerships during the year; and \$0.2 million relating to the acquisition of property and equipment.

Net cash used in investing activities was \$155.6 million for 2015, which consists of \$155.4 million paid for pre-delivery installments for our three vessels under construction, the balance price for the acquisition of the *Santa Barbara*, delivered in January 2015 and the acquisition of three vessels during the year; \$0.2 million of dividends received from Diana Containerships during the year; a \$0.3 million investment in DWM; and \$0.2 million relating to the acquisition of property and equipment.

Net Cash Provided By / (Used In) Financing Activities

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

Net cash used in financing activities was \$9.5 million for 2016, which consists of \$39.3 million of proceeds drawn under new loan facilities; \$42.5 million of indebtedness that we repaid; \$0.5 million of financing costs we paid relating to our new loan agreements; \$5.8 million of dividends paid on our Series B Preferred Shares.

Net cash provided by financing activities was \$106.0 million for 2015, which consists of \$441.2 million of proceeds drawn under new loan facilities and our Notes; \$321.2 million of indebtedness that we repaid; \$5.5 million of financing costs we paid relating to our new loan agreements and our Notes; \$5.8 million of dividends paid on our Series B Preferred Shares; \$2.7 million of payments to repurchase common stock.

Net cash provided by/used in financing activities for the years ended December 31, 2016 and 2015 have been adjusted to reflect the change in presentation of cash, cash equivalents and restricted cash, following our adoption of ASU 2016-18 Statements of cash flows – Restricted cash.

Loan Facilities and Senior Unsecured Notes

As at December 31, 2017, we had \$604.8 million of long term debt outstanding under our facilities and Notes, which as of the date of this annual report was \$594.0 million, and consists of the agreements described below.

Secured Term Loans:

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

On October 2, 2010, our wholly-owned subsidiaries Lae Shipping Company Inc. ("Lae") and Namu Shipping Company Inc., ("Namu") entered into a loan agreement with Export-Import Bank of China ("CEXIM Bank") and DnB NOR Bank ASA ("DnB") to finance part of the construction cost of the *Los Angeles*, and the *Philadelphia*, for an amount of up to \$82.6 million, of which \$72.1 million was drawn, being 70% of the vessels' market value on delivery. The Lae advance is repayable in 40 quarterly installments of approximately \$0.6 million and a balloon of \$12.3 million payable together with the last installment on February 15, 2022. The Namu advance is repayable in 40 quarterly installments of approximately \$0.6 million and a balloon of \$11.4 million payable together with the last installment on May 18, 2022. Pursuant to an amendment of the loan agreement dated May 18, 2017, each of the individual banks are allowed to demand repayment in full of such bank's contribution in any or all advances on August 16, 2019. If one or more banks (acting through the agent) exercise such right in respect of an advance, the borrowers shall be obliged to repay each such bank's contribution in that advance in full on such date. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

On September 13, 2011, our wholly-owned subsidiary Bikar Shipping Company Inc. ("Bikar") entered into a loan agreement with Emporiki Bank of Greece S.A. ("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 Corporate and Investment Bank ("Credit Agricole") entered into a supplemental loan agreement 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.

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

On January 9, 2014, our wholly-owned subsidiaries Taka Shipping Company Inc. and Fayo Shipping Company Inc. entered into a loan agreement with Commonwealth Bank of Australia, London Branch, 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%. 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 each; and a balloon of \$3.8 million payable on January 13, 2020. Tranche B is repayable in 32 equal consecutive quarterly installments of \$156,250 each and a balloon of \$4.5 million payable on January 13, 2022. As a result of the grounding incident of the *Melite* and the subsequent sale of the vessel, Tranche A was repaid in full in October 2017.

On December 18, 2014, our wholly-owned subsidiaries Weno Shipping Company Inc. ("Weno") and Pulpap Shipping Company Inc. ("Pulpap") entered into a loan agreement with BNP Paribas ("BNP"), for a loan facility of up to \$55.0 million to finance part of the acquisition cost of the *G. P. Zafirakis* and the *P. S. Palios*, of which \$53.5 million was drawn. The loan bears interest at LIBOR plus a margin of 2%, and is repayable in 14 equal semi-annual installments of approximately \$1.6 million and a balloon of \$31.5 million, payable on November 30, 2021.

On March 17, 2015, eight of our wholly-owned subsidiaries entered into a loan facility with Nordea to refinance the existing agreements with the bank and to add additional vessels. On March 19, 2015, after repaying in full all outstanding indebtedness with the bank, we drew down the amount of \$93.1 million. The loan is repayable in 24 equal consecutive quarterly installments of approximately \$1.9 million and a balloon of \$48.4 million payable together with the last installment on March 19, 2021. The loan bears interest plus a margin of 2.1% of LIBOR.

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

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

On July 22, 2015, we entered into a term loan agreement with BNP Paribas for a loan of \$165.0 million drawn on July 24, 2015. The loan is repayable in 20 consecutive quarterly installments, the first eight installments in an amount of \$2.5 million, followed by four installments in an amount of \$5.0 million; eight installments in an amount of \$7.0 million; and a balloon installment of \$69.0 million payable together with the last installment on July 24, 2020. The loan bears interest at LIBOR plus a margin of 2.35% per annum for the first two years; 2.3% per annum for the third year and 2.25% per annum until the final maturity of the loan.

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

On January 7, 2016, three of our wholly-owned subsidiaries entered into a secured loan agreement with the CEXIM Bank for a loan of up to \$75.7 million in order to finance part of the construction cost of three vessels. On January 4, 2017, we drew down \$57.24 million to finance part of the construction cost of *San Francisco* and *Newport News*, both delivered on January 4, 2017. The balance of the committed loan amount, including the tranche for Hull DY6006 whose shipbuilding contract was cancelled on October 31, 2016, was cancelled. On February 6, 2017, we also entered into a Deed of Release with the CEXIM Bank in order to release the owner of Hull DY6006 of all of its obligations under the loan agreement as borrower. The loan is payable in 60 equal quarterly installments of \$954,000 each, the last of which is payable by March 12, 2032, and bears interest at LIBOR plus a margin of 2.3%.

On March 29, 2016, two of our wholly-owned subsidiaries entered into a term loan agreement with ABN AMRO Bank N.V. for a loan of \$25.755 million, drawn on March 30, 2016, to finance the acquisition cost of the *Selina* and the *Ismene*. The loan is payable in eight consecutive quarterly installments of \$855,000 each and a balloon installment of \$18.9 million payable together with the last installment by June 30, 2019. The first repayment installment was repaid on September 30, 2017. The loan bears interest at LIBOR plus a margin of 3%.

On May 10, 2016, one of our wholly-owned subsidiaries entered into a term loan agreement with DNB Bank ASA and the CEXIM Bank for a loan of \$13.51 million, drawn on the same date, being the purchase price of the *Maera*. The loan is payable in seven equal consecutive quarterly installments of \$19,775 each, four equal consecutive quarterly installments of \$282,500 each and a balloon of about \$12.2 million payable together with the last installment on January 4, 2019. The loan bears interest at LIBOR plus a margin of 3% per annum. Subsequently to December 31, 2017, and according to the terms of the loan agreement, we prepaid an additional amount of \$289,177 which will be deducted from the balloon and which was reclassified as current in the consolidated balance sheet as at December 31, 2017.

Under the secured term loans outstanding as of December 31, 2017, 46 vessels of the Company's fleet were mortgaged with first preferred or priority ship mortgages. Additional securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts with duration that exceeds a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by Diana Shipping Inc. (the "Guarantor") or a guarantee by the ship owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the guarantor, maintained in the bank accounts of the borrowers, or the guarantor. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends following the occurrence of an event of default.

As at December 31, 2016, we were not in compliance with the minimum security cover requirement, under our \$165.0 million loan facility with BNP Paribas. We estimated the shortfall to be \$25.7 million and as such an amount of \$19.7 million, representing the amount which would have to be paid to the bank, was reclassified as current in the consolidated balance sheet as at December 31, 2016. In addition, we received a waiver from the Commonwealth Bank, valid until December 31, 2016, for the non-compliance with the minimum required security cover, which was amended to a lower level than the one stated in the loan agreement. On January 13, 2017, the bank extended its consent for the use of the lower minimum required security cover until June 30, 2017. As of December 31, 2017 and the date of this report, we were in compliance with all of our loan covenants.

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

Senior Notes due 2020

On May 28, 2015, we issued \$55.0 million aggregate principal amount of our 8.5% senior unsecured notes due 2020, or our Notes, in a registered public offering and on June 5, 2015, we issued an additional \$8.25 million aggregate principal amount of the Notes, pursuant to the underwriters' option to purchase additional Notes. The Notes will mature on May 15, 2020, and effective May 15, 2017 may be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Notes bear interest at a rate of 8.500% per annum, payable quarterly on each February 15, May 15, August 15 and November 15, commencing on August 15, 2015. The Notes commenced trading on the NYSE on May 29, 2015 under the symbol "DSXN."

For additional information about our Notes, please see the section entitled "Description of Notes" in the final prospectus supplement related to the offering, filed with the SEC on May 22, 2015 and incorporated by reference herein.

As of December 31, 2017, 2016 and 2015 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Capital Expenditures

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

C. Research and development, patents and licenses

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

D. Trend information

Our results of operations depend primarily on the charter hire rates that we are able to realize, and the demand for dry bulk vessel services. The Baltic Dry Index, or the BDI, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then. In 2015, the BDI ranged from a high of 1,222 in August to a low of 471 in December. In 2016, the BDI ranged from a record low of 290 in February to a high of 1,257 in November. In 2017, the BDI ranged from a low of 685 in February to a high of 1,743 in December.

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 may 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, 2017:

Contractual Obligations	Payments due by period				
	Total Amount	Less than 1 year	2-3 years	4-5 years	More than 5 years
		(in thousands of US dollars)			
Loan Agreements and Notes (1)	\$ 604,793	\$ 62,059	\$ 302,475	\$ 204,961	\$ 35,298
Estimated Interest Payments on Loan Agreements and Notes (1)	70,148	24,525	32,033	7,423	6,167
Broker services agreement (2)	450	450	-	-	-
Preferred dividends (3)	7,692	5,769	1,923	-	-
Total	\$ 683,083	\$ 92,803	\$ 336,431	\$ 212,384	\$ 41,465

- (1) As of December 31, 2017, we had an aggregate principal amount of \$604.8 million of indebtedness outstanding under our loan facilities and our Notes. Estimated interest payments represent projected interest payments on our long term debt, which are based on the weighted average LIBOR rate in 2017 plus the margin of our loan agreements in 2017 and the fixed interest rate of our Notes.
- (2) Our agreement with Steamship (formerly Diana Enterprises Inc.) dated April 1, 2017, expires on March 31, 2018.
- (3) 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 the section entitled "Forward-Looking Statements" at the beginning of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers. Effective March 4, 2015, our Board of Directors increased its size from seven to nine members and Mr. Kyriacos Riris and Mrs. Semiramis Paliou were appointed to fill the resulting vacancies. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three-year term and until his or her successor is elected and has qualified, except in the event of such director's death, resignation, removal or the earlier termination of his or her term of office. Officers are appointed from time to time by our board of directors and hold office until a successor is appointed or their employment is terminated.

Name	Age	Position
Simeon Palios	76	Class I Director, Chief Executive Officer and Chairman
Anastasios Margaritis	62	Class I Director and President
Ioannis Zafirakis	46	Class I Director, Chief Operating Officer and Secretary
Andreas Michalopoulos	46	Chief Financial Officer and Treasurer
Maria Dede	45	Chief Accounting Officer
William (Bill) Lawes	74	Class II Director
Konstantinos Psaltis	79	Class II Director
Kyriacos Riris	68	Class II Director
Apostolos Kontoyannis	69	Class III Director
Semiramis Paliou	43	Class III Director
Konstantinos Fotiadis	67	Class III Director

The term of our Class I directors expires in 2018, the term of our Class II directors expires in 2019, and the term of our Class III directors expires in 2020.

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

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

Simeon P. Palios has served as the Chief Executive Officer and Chairman of Diana Shipping Inc. since February 21, 2005 and as a Director since March 9, 1999 and has served as the Chief Executive Officer and Chairman of Diana Containerships Inc. since January 13, 2010. Mr. Palios also serves currently as the President of Diana Shipping Services S.A., our management company. Prior to November 12, 2004, Mr. Palios was the Managing Director of Diana Shipping Agencies S.A. Since 1972, when he formed Diana Shipping Agencies S.A., Mr. Palios has had overall responsibility for its activities. Mr. Palios has experience in the shipping industry since 1969 and expertise in technical and operational issues. He has served as an ensign in the Greek Navy for the inspection of passenger boats on behalf of Ministry of Merchant Marine and is qualified as a naval architect and marine engineer. Mr. Palios is a member of various leading classification societies worldwide and he is a member of the board of directors of the United Kingdom Freight Demurrage and Defense Association Limited. Mr. Palios has also served as President of the Association "Friends of Biomedical Research Foundation, Academy of Athens" since 2015. 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 is a Deputy President of Diana Shipping Services S.A., where he also serves as a Director and Secretary. Prior to February 21, 2005, Mr. Margaronis was employed by Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as President. He joined Diana Shipping Agencies S.A. in 1979 and has been responsible for overseeing our vessels' insurance matters, including hull and machinery, protection and indemnity and war risks insurances. 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 (Europe) 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 serves as our Director, Chief Operating Officer and Secretary. He also serves as Director, Chief Operating Officer and Secretary of Diana Containerships Inc. In addition, he is the Chief Operating Officer of Diana Shipping Services S.A., where he also serves as Director and Treasurer. From June 1997 to February 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A. where he held a number of positions in its finance and accounting department. 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 S.A., a ship-management company, where she held a number of positions primarily in accounting and supplies. Mrs. Dede holds a Bachelor's degree in Maritime Studies from the University of Piraeus, a Master's degree in Business Administration from the ALBA Graduate Business School and a Master's degree in Auditing and Accounting from the Greek Institute of Chartered Accountants.

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

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

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

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

Semiramis Paliou has served as a Director since March 2015. Mrs. Paliou has almost 20 years of experience in shipping operations, technical management and crewing. Mrs. Paliou began her career at Lloyd's Register of Shipping from 1996 to 1998 as a trainee ship surveyor. She was then employed by Diana Shipping Agencies S.A. From 2007 to 2010 she was employed as a Director and President of Alpha Sigma Shipping Corp. From February 2010 to November 2015 she was the Head of the Operations, Technical and Crew department of Diana Shipping Services S.A. From November 2015 to October 2016 she served as Vice President of the same company. Since November 2016 she serves as Managing Director and Head of the Technical, Operations, Crew and Supply department of United Ocean Transport Limited. Mrs. Paliou obtained her BSc in Mechanical Engineering from Imperial College, London and her MSc in Naval Architecture from University College, London. She is the daughter of Simeon Palios, our Chief Executive Officer and Chairman, and is a member of the Greek committee of Det Norske Veritas - Germanischer Lloyd and a member of the Greek committee of Nippon Kaiji Kyokai.

Konstantinos Fotiadis has served as a Director since May 2017. Mr. Fotiadis served as an independent Director and as the Chairman of the Audit Committee of Diana Containerships Inc. from April 2010 until February 8, 2011. From 1990 until 1994 Mr. Fotiadis served as the President and Managing Director of Reckitt & Colman (Greece), part of the British multinational Reckitt & Colman plc, manufacturers of household, cosmetics and health care products. From 1981 until its acquisition in 1989 by Reckitt & Colman plc, Mr. Fotiadis was a General Manager at Dr. Michalis S.A., a Greek company manufacturing and marketing cosmetics and health care products. From 1978 until 1981 Mr. Fotiadis held positions with Esso Chemicals Ltd. and Avrassoglou S.A. Mr. Fotiadis has also been active as a business consultant and real estate developer. Mr. Fotiadis holds a degree in Economics from Technische Universitaet Berlin and in Business Administration from Freie Universitaet Berlin.

B. Compensation

Aggregate executive compensation (including amounts paid to Steamship (formerly Diana Enterprises Inc.) pursuant to the Brokerage Services Agreements) for 2017 was \$3.7 million. Since June 1, 2010, Steamship (formerly Diana Enterprises Inc.), a related party, as described in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" has provided to us brokerage services. Under the Brokerage Services Agreements in effect during 2017, fees for 2017 amounted to \$1.8 million. We consider fees under these agreements to be part of our executive compensation due to the affiliation with Steamship. We expect such fees to remain the same in 2018.

Non-employee directors receive annual compensation in the amount of \$52,000 plus reimbursement of out-of-pocket expenses. In addition, each non-executive serving as chairman or member of a committee receives additional annual compensation of \$26,000 or \$13,000, respectively, plus reimbursement of out-of-pocket expenses. For 2017, 2016 and 2015 fees and expenses of our non-executive directors amounted to \$0.4 million, \$0.4 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 11,675,241 shares of restricted common stock, of which 9,654,657 shares were awarded to senior management and 2,020,584 shares were awarded to non-employee directors. All restricted shares vest ratably over three years, except for 600,000 shares awarded in 2008 which vested ratably over a period of six years until 2014 and 1,314,000 shares awarded in 2014 which will vest ratably over a period of six years until 2022. 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 2017, compensation costs relating to the aggregate amount of restricted stock awards amounted to \$8.2 million.

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

Equity Incentive Plan

In November 2014, our board of directors approved, and the Company adopted the 2014 Equity Incentive Plan, or the 2014 Plan, for 5,000,000 common shares, of which, currently, 1,124,759 shares remain reserved for issuance.

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

C. Board Practices

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

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

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

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

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

D. Employees

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

The following table presents the number of shoreside personnel employed by DSS and the number of seafaring personnel employed by our vessel-owning subsidiaries as at December 31, 2017, 2016 and 2015.

	Year Ended December 31,		
	2017	2016	2015
Shoreside	93	95	101
Seafaring	1,006	923	993
Total	1,099	1,018	1,094

E. Share Ownership

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding ownership of our common stock of which we are aware as of March 14, 2018, for (i) beneficial owners of five percent or more of our common stock and (ii) our officers and directors, individually and as a group. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held.

<u>Title of Class</u>	<u>Identity of Person or Group</u>	<u>Number of Shares Owned</u>	<u>Percent of Class*</u>
Common Stock, par value \$0.01	Simeon Palios (1)	24,914,107	23.1%
	Franklin Resources Inc. (2)	12,833,190	11.9%
	Kopernik Global Investors, LLC (3)	5,573,381	5.2%
	All officers and directors as a group (4)	29,273,657	27.1%

* Based on 107,931,017 common shares outstanding as of March 14, 2018.

- (1) Mr. Simeon Palios indirectly may be deemed to beneficially own 9,524,360 shares beneficially owned by Ironwood Trading Corp. and 15,389,747 shares beneficially owned by Steamship Shipbroking Enterprises Inc. (formerly Diana Enterprises Inc.), including 4,762,180 shares beneficially owned through Corozal Compania Naviera, as the result of his ability to control the vote and disposition of such entities, for an aggregate of 24,914,107 shares. As of December 31, 2015, 2016 and 2017, Mr. Simeon Palios owned indirectly 20.6%, 22.2% and 22.5%, respectively, of our outstanding common stock.
- (2) This information is derived from a Schedule 13G/A filed with the SEC on February 6, 2018.
- (3) This information is derived from a Schedule 13G/A filed with the SEC on February 9, 2018.
- (4) 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 is indirect shareholder through ownership of stock held in Corozal Compania Naviera S.A., and Ironwood Trading Corp. Mr. Margaronis does not have dispositive or voting power with regard to shares held by Corozal Compania S.A. and Ironwood Trading Corp. and, accordingly, is not considered to be beneficial owner of our common shares held through Corozal Compania Naviera S.A. and Ironwood Trading Corp. Mr. Anastasios Margaronis also owns indirectly 3.2% of our outstanding common stock. Messrs. Lawes, Psaltis, Kontoyannis, Fotiadis and Mrs. Paliou each a non-executive director of ours each owns less than 1% of our outstanding common stock. In addition, Steamship (formerly Diana Enterprises Inc.) owns indirectly 100,390, or 3.9% of the outstanding Series B Preferred Shares and Mr. Anastasios Margaronis owns indirectly 28,025, or 1.1% of the outstanding Series B Preferred Shares. All officers and directors as a group own 133,575, or 5.1% of our outstanding Series B Preferred Shares.

As of March 14, 2018, we had 127 shareholders of record, 109 of which were located in the United States and held an aggregate of 84,288,424 of our common shares, representing 78.1% 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 84,271,573 of our common shares as of that date. Accordingly, we believe that the shares held by CEDE & CO. include common shares beneficially owned by both holders in the United States and non-U.S. beneficial owners. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

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

B. Related Party Transactions

Steamship Shipbroking Enterprises Inc.

Steamship (formerly Diana Enterprises Inc.), an affiliated entity that is controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides to us brokerage services for an annual fee pursuant to a Brokerage Services Agreement. In 2017, brokerage fees amounted to \$1.8 million. The terms of this relationship are currently governed by a Brokerage Services Agreement dated April 1, 2017, due to expire on March 31, 2018.

Altair Travel Agency S.A.

Altair Travel Agency S.A., or Altair, an affiliated entity that is controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides us with travel related services. Travel related expenses in 2017, amounted to \$2.1 million. We believe that the amounts that we pay to Altair Travel Agency S.A. for acquiring tickets and other travel related services are no greater than fees we would pay to an unrelated third party for comparable services.

Diana Containerships, Non-Competition Agreement

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.

Diana Containerships, Loan Agreement and Series C Preferred Stock

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 was approved by an Independent Committee of our Board of Directors and by our Board of Directors and bore interest at LIBOR plus a margin of 5% per annum and a back-end fee equal to 1.25% per annum on the outstanding amount, receivable on the repayment date of such amount. The loan was amended on July 28, 2014, and further amended on September 9, 2015, pursuant to which the loan maturity was extended to March 15, 2022; interest decreased to at LIBOR plus a margin of 3% per annum; the back-end fee accumulated up to and became payable on the date of the amendment; and the borrowers agreed to pay to the lender a fee of \$0.2 million on the maturity date. In addition, the outstanding principal amount of the loan was to be repaid in amounts totalling \$5.0 million per annum, but not to exceed \$32.5 million in the aggregate. The unsecured loan was guaranteed by Diana Containerships, and Diana Containerships and its subsidiaries were not able to incur additional indebtedness during the term of the loan without our prior consent. Also, the loan was subordinated to Diana Containerships' then existing loan with the Royal Bank of Scotland. On August 24, 2016, an Independent Committee of our Board of Directors and our Board of Directors approved another amendment to the loan, pursuant to which the repayment of all outstanding principal amounts were to be deferred until the later of (i) the repayment or prepayment in full by Diana Containerships of a deferred amount under its then existing loan agreement with The Royal Bank of Scotland plc, whose repayment was scheduled to commence on March 15, 2019 and be completed not later than June 15, 2021, and (ii) September 15, 2018. The amendment also changed the borrower under the loan to another wholly-owned subsidiary of Diana Containerships, Kapa Shipping Company Inc., and provided for an increase of the interest rate for the period between September 12, 2016 (the effective date of the amendment) and December 31, 2018 to 3.35% per annum over LIBOR.

On May 30, 2017, we further amended the loan to Diana Containerships, pursuant to which we acquired 100 shares of newly-designated Series C Preferred Stock, par value \$0.01 per share, of Diana Containerships, in exchange for a reduction of \$3.0 million in the principal amount of the loan. The Series C Preferred Stock has no dividend or liquidation rights. The Series C Preferred Stock votes with the common shares of Diana Containerships, and each share of the Series C Preferred Stock entitles the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates does not exceed 49.0%, on all matters submitted to a vote of the stockholders of Diana Containerships. The acquisition of shares of Series C Preferred Stock was approved by an Independent Committee of our Board of Directors.

Refinancing of Loan Agreement

On June 30, 2017, we refinanced our loan agreement with Diana Containerships described above with a new secured loan facility of \$82.6 million, which includes the \$42.4 million outstanding principal balance as of June 30, 2017, increased by the flat fee of \$0.2 million payable at maturity, plus an additional loan amount to Diana Containerships of \$40.0 million. We refer to this loan as the Refinanced Loan. The loan matures on December 31, 2018, and bears interest at the rate of 6% per annum for the first twelve (12) months of the loan, scaled to 9% for the next three (3) months, and further scaled to 12% for the remaining three (3) months of the loan. We have the option to request full repayment of the Refinanced Loan after twelve months from the initial drawing. The loan also has an additional \$5.0 million interest-bearing amount, classified as discount premium, which is payable at maturity, but will be permanently waived and cancelled, in case we exercise our option for full repayment of the loan within twelve months from drawing. The loan facility includes financial and other covenants.

In connection with the refinancing transaction, Diana Containerships entered into a loan agreement with Addiewell Ltd., an unaffiliated third party, dated June 30, 2017, in the amount of \$35.0 million, which we refer to as the Addiewell Loan. The Addiewell Loan also has an additional \$10.0 million interest-bearing amount, which is classified as discount premium. Diana Containerships used the aggregate new borrowings of \$75.0 million under the Addiewell Loan and Refinanced Loan, together with \$10.0 million cash on hand, to pay an aggregate of \$85.0 million for full and final settlement of Diana Containerships' then existing \$148.0 million secured loan facility with The Royal Bank of Scotland plc, entered into on September 10, 2015, as amended, which had an outstanding balance of \$128.9 million as of June 30, 2017. The Refinanced Loan and Addiewell Loan are each secured by second and first priority mortgages, respectively, on all vessels of Diana Containerships, pursuant to which the \$35.0 million funded under the Addiewell Loan has the first repayment priority, followed in priority order by the \$40.0 million funded under the Refinanced Loan, the balance of the principal amount under the Addiewell Loan, and the balance of the amounts owed to Diana Shipping Inc. under the Refinanced Loan.

Income from interest and fees for 2017, amounted to \$3.9 million and is included in Interest and other income in the respective consolidated statements of operations. As of December 31, 2017 and the date of this report, the loan receivable from Diana Containerships amounted to \$82.6 million and \$74.2 million, respectively, and an additional \$5.0 million unrecorded discount premium outstanding.

Diana Wilhelmsen Management Limited

Diana Wilhelmsen Management Limited, or DWM, is a 50/50 joint venture which provides management services to ten vessels in our fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues. Management fees for 2017 amounted to \$1.9 million, whereas commercial fees amounted to about \$0.3 million.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial information

A. Consolidated statements and other financial information

See "Item 18. Financial Statements."

Legal Proceedings

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 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. The probation period ended in June 2017.

In December 2016, one of our wholly-owned subsidiaries, upon signing a settlement agreement with a former charterer, received an amount of \$5.5 million as partial payment pursuant to an arbitration award. The partial payment of the arbitration award is without prejudice, and we intend to seek the recovery of the balance of the award.

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

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

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

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

Cumulative dividends on our Series B Preferred Shares are payable on each January 15, April 15, July 15 and October 15, when, as and if declared by our board of directors or any authorized committee thereof out of legally available funds for such purpose. The dividend rate for our Series B Preferred Shares is 8.875% per annum per \$25.00 of liquidation preference per share (equal to \$2.21875 per annum per share) and is not subject to adjustment. 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, other than those described in note 14 "Subsequent events" of our annual consolidated financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

The trading market for shares of our common stock is the NYSE, on which our shares trade under the symbol "DSX". 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 NYSE:

Period	2018		2017		2016		2015		2014		2013	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Annual			\$ 6.03	\$ 3.30	\$ 4.47	\$ 2.02	\$ 8.11	\$ 3.58	\$ 13.55	\$ 6.31	\$ 13.64	\$ 7.47
1st quarter			\$ 4.79	\$ 3.30	\$ 4.47	\$ 2.02						
2nd quarter			6.03	3.50	3.46	2.12						
3rd quarter			4.26	3.63	3.12	2.27						
4th quarter			4.57	3.66	4.11	2.40						
September			\$ 4.09	\$ 3.63								
October			4.13	3.66								
November			4.57	3.85								
December			4.14	3.94								
January	\$ 4.50	\$ 3.80										
February	3.93	3.35										
March*	3.89	3.70										

* For the period from March 1, 2018 until March 14, 2018

Our Series B Preferred Stock has traded on the NYSE under the symbol "DSXPRB" since February 21, 2014. The following table sets forth the high and low closing sales prices for our Series B Preferred Stock for each of the periods indicated:

Period	2018		2017		2016		2015		2014*	
	High	Low	High	Low	High	Low	High	Low	High	Low
Annual			\$ 24.81	\$ 17.24	\$ 18.52	\$ 9.50	\$ 25.59	\$ 10.80	\$ 26.98	\$ 22.76
1st quarter			\$ 21.93	\$ 17.24	\$ 15.15	\$ 9.50				
2nd quarter			22.70	20.89	18.52	13.42				
3rd quarter			24.19	21.56	18.33	14.99				
4th quarter			24.81	23.53	17.25	14.53				
September			\$ 24.19	\$ 22.12						
October			24.73	23.55						
November			24.46	23.53						
December			24.81	24.11						
January	\$ 24.94	\$ 23.30								
February	24.53	22.60								
March**	24.70	24.38								

*Commencing on February 21, 2014

** For the period from March 1, 2018 until March 14, 2018

B. Plan of Distribution

Not Applicable.

C. Markets

Our common shares have traded on the NYSE since March 23, 2005 under the symbol "DSX," our Series B Preferred Stock has traded on the NYSE under the symbol "DSXPRB" since February 21, 2014, and our 8.5% Senior Notes due 2020 have traded on the NYSE since May 29, 2015 under the symbol "DSXN."

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

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

Information regarding the rights, preferences and restrictions attaching to each class of our shares is described in the section entitled "Description of Capital Stock" in the accompanying prospectus to our effective Registration Statement on Form F-3 filed with the SEC on July 2, 2015 with file number 333-205491, provided that since the date of that Registration Statement, (i) the number of our outstanding shares of common stock has increased to 107,931,017 as of March 14, 2018, and (ii) the Stockholder Rights Plan described therein has been replaced by a Stockholders Rights Agreement dated as of January 15, 2016, as described below under "Stockholders Rights Agreement." For additional information about our Series B Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the SEC on February 13, 2014 and incorporated by reference herein.

Stockholders Rights Agreement

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

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

C. Material Contracts

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

D. Exchange Controls

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

E. Taxation

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations of the ownership and disposition by a U.S. Holder and a Non-U.S. Holder, each as defined below, 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, 2017, approximately 4.2% of the Company's shipping income was attributable to the transportation of cargoes either to or from a U.S. port. Accordingly, 2.1% of the Company's shipping income would be treated as derived from U.S. sources for the year ended December 31, 2017. 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 \$136,000 for the year ended December 31, 2017.

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 2017 taxable year, the Company believes that it is unlikely that the 50% Ownership Test was satisfied. Therefore, the eligibility of the Company and each subsidiary to qualify for exemption under Section 883 of the Code is wholly dependent upon the Company's ability to satisfy the Publicly Traded Test.

Under the Treasury Regulations, stock of a foreign corporation is considered "primarily traded" on an established securities market in a country if the number of shares of each class of stock that is traded during the taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country. The Company's common stock was "primarily traded" on the NYSE during the 2017 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 2017 taxable year.

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

Based on Schedules 13D and 13G filings, during the 2017 taxable year, less than 50% of the Company's common stock was owned by 5% Shareholders. Therefore, the Company believes that it is not subject to the 5% Override Rule and thus has satisfied the Publicly Traded Test for the 2017 taxable year. However, there can be no assurance that the Company will continue to satisfy the Publicly Traded Test in future taxable years. For example, the Company could be subject to the 5% Override Rule if another 5% Shareholder in combination with the Company's existing 5% Shareholders were to own 50% or more of the Company's common stock. In such a case, the Company would be subject to the 5% Override Rule unless it could establish that, among the shares of the common stock owned by the 5% Shareholders, sufficient shares are owned by qualified shareholders, for purposes of Section 883 of the Code, to preclude non-qualified shareholders from owning 50% or more of the Company's common stock for more than half the number of days during the taxable year. The requirements of establishing this exception to the 5% Override Rule are onerous and there is no assurance the Company will be able to satisfy them.

Based on the foregoing, the Company believes that it satisfied the Publicly Traded Test and therefore believes that it was exempt from U.S. federal income tax under Section 883 of the Code, during the 2017 taxable year, and intends to take this position on its 2017 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 2017 taxable year and in the absence of exemption under Section 883 of the Code, the Company would be subject to approximately \$136,000 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 a rate of 21%. In addition, earnings "effectively connected" with the conduct of such U.S. trade or business, as determined after allowance for certain adjustments, and certain interest paid or deemed paid attributable to the conduct of the U.S. trade or business may be subject to U.S. federal branch profits tax imposed at a rate of 30%. The Company's U.S. source Shipping Income would be considered "effectively connected" with the conduct of a U.S. trade or business only if: (1) the Company has, or is considered to have, a fixed place or business in the United States involved in the earning of Shipping Income; and (2) substantially all of the Company's U.S. source Shipping Income is attributable to regularly scheduled transportation, such as the operation of a vessel that followed a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States, or, in the case of income from the chartering of a vessel, is attributable to a fixed place of business in the United States. We do not intend to have, or permit circumstances that would result in having a vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S. source Shipping Income will be effectively connected with the conduct of a U.S. trade or business.

Gain on Sale of Vessels

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

United States Taxation of U.S. Holders

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

As used herein, the term "U.S. Holder" means a beneficial owner of our common stock that (i) is a U.S. citizen or resident, a U.S. corporation or other U.S. entity taxable as a corporation, an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a 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 generally not be entitled to claim a dividends-received deduction with respect to any distributions they receive from the Company.

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

Sale, Exchange or other Disposition of Common Stock

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

PFIC Status and Significant Tax Consequences

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

at least 75% of the Company's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), or

at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, such passive income.

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

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

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

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

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

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

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

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

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

the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;

the amount allocated to the current taxable year and any taxable years before the Company became a PFIC would be taxed as ordinary income; and

the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

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

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

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

Dividends on Common Stock

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

Sale, Exchange or Other Disposition of Common Stock

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

the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to that gain, the gain is taxable in the United States only if attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

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

Backup Withholding and Information Reporting

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

fails to provide an accurate taxpayer identification number;

is notified by the IRS that he has failed to report all interest or dividends required to be shown on his U.S. federal income tax returns; or

in certain circumstances, fails to comply with applicable certification requirements.

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

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

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

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

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, 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 the interest rates of our loan facilities bearing a variable interest rate during 2017, could have increased our interest cost (including capitalized interest and interest on our Notes) from \$25.0 million to \$30.8 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, 2017, 2016 and 2015 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Currency and Exchange Rates

We generate all of our revenues in U.S. dollars but currently incur less than half of our operating expenses (around 38% in 2017 and around 41% in 2016) and about half of our general and administrative expenses (around 48% in 2017 and around 50% in 2016) 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 2017 and 2016, these non-US dollar expenses represented 29% and 42%, respectively of our revenues and therefore, we are not engaged in extensive derivative instruments to hedge a considerable part of those expenses.

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

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

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

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

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

Management has conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2017 is effective.

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

c) Attestation Report of Independent Registered Public Accounting Firm

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

d) Changes in Internal Control over Financial Reporting

Since the establishment in 2015 of our 50% owned joint venture, Diana Wilhelmsen Management Limited, our internal controls over financial reporting have changed in order to incorporate in our procedures and controls those conducted by the joint venture in managing our vessels.

Inherent Limitations on Effectiveness of Controls

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

Item 16A. Audit Committee Financial Expert

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

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to officers, directors, employees and agents. Our code of ethics is posted on our website, <http://www.dianashippinginc.com>, under "About Us—Code of Ethics" and was filed as Exhibit 11.1 to our 2009 annual report on Form 20-F filed with the SEC on March 30, 2010 and incorporated by reference herein. Copies of our code of ethics are available in print, free of charge, upon request to Diana Shipping Inc., Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. We intend to satisfy any disclosure requirements regarding any amendment to, or waiver from, a provision of this code of ethics by posting such information on our website.

Item 16C. Principal Accountant Fees and Services

a) Audit Fees

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

Audit fees in 2017 and 2016 amounted to €420,000 and €420,000, or approximately \$465,988 and \$476,920, respectively, and relate to audit services provided in connection with timely AS 4105 reviews, the audit of our consolidated financial statements and the audit of internal control over financial reporting.

b) Audit-Related Fees

Audit related fees in 2017 amounted to €40,000, or approximately \$44,640 and relate to audit services provided in connection with the Company's filings with the SEC. There were no audit related fees in 2016.

c) Tax Fees

During 2017 and 2016, we received services for which fees amounted to \$18,600 for each year and relate to the calculation of Earnings and Profits of the Company.

d) All Other Fees

None.

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

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

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

Not applicable.

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

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

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

On May 23, 2014, we announced that our Board of Directors authorized a share repurchase plan for up to \$100 million of the Company's common shares. The plan does not have an expiration date. As of December 31, 2017 and the date of this report, there is an outstanding value of about \$72 million of common shares that can be repurchased under the plan.

The following table sets forth the stock purchase activity of affiliated purchasers of the Company during 2017.

Name	Period	Total Number of Common Shares Purchased (1)	Average Price Paid per Common Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount that May Yet Be Purchased Under the Plans or Programs
Steamship Shipbroking Enterprises Inc. (formerly Diana Enterprises Inc.)	April 2017	4,750,000	\$ 4.00	N/A	N/A
Anamar Investments Inc	April 2017	750,000	\$ 4.00	N/A	N/A

(1) These common shares were purchased in the underwritten public offering of 20,125,000 of the Company's common shares that closed on April 26, 2017.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Overview

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

Executive Sessions

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

Audit Committee

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

Shareholder Approval of Equity Compensation Plans

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

Corporate Governance Guidelines

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

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

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

Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Amended and Restated Articles of Incorporation of Diana Shipping Inc. (originally known as Diana Shipping Investment Corp.) (1)
1.2	Amended and Restated By-laws of the Company (2)
2.1	Form of Common Share Certificate (13)
2.2	Form of Series B Preferred Stock Certificate (16)
2.3	Statement of Designation of the 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares of the Company (3)
2.4	Certificate of Designations of the Series A Participating Preferred Stock of the Company (4)
2.5	Base Indenture, dated May 28, 2015, by and between the Company and Deutsche Bank Trust Company Americas (5)
2.6	First Supplemental Indenture to the Base Indenture, dated May 28, 2015, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 8.500% Senior Notes due 2020 (6)
4.1	Stockholders Rights Agreement dated January 15, 2016 (7)
4.2	2014 Equity Incentive Plan (13)
4.3	Form of Technical Manager Purchase Option Agreement (8)
4.4	Form of Management Agreement (9)
4.5	Loan Agreement with Bremer Landesbank dated October 22, 2009 (17)
4.6	Loan Agreement with the Export-Import Bank of China and DnB Nor Bank ASA dated October 2, 2010 (17)
4.7	Loan Agreement with Emporiki Bank of Greece S.A., dated September 13, 2011 (14)
4.8	First Supplemental Agreement, by and between Bikar Shipping Company Inc., Diana Shipping Inc., DSS and Emporiki Bank of Greece S.A., dated December 11, 2012 (13)
4.9	Second Supplemental Agreement, by and between Bikar Shipping Company Inc., Diana Shipping Inc., DSS and Credit Agricole Corporate and Investment Bank, dated December 13, 2012 (13)
4.10	Loan Agreement, dated May 24, 2013, by and among Erikub Shipping Company Inc., Wotho Shipping Company Inc., DNB Bank ASA, and Export-Import Bank of China (11)
4.11	Loan Agreement, dated January 9, 2014, by and among Taka Shipping Company Inc., Fayo Shipping Company Inc., and Commonwealth Bank of Australia (11)
4.12	Loan Agreement, dated December 18, 2014, by and among Weno Shipping Company Inc., Pulpap Shipping Company Inc., the Banks and Financial Institutions listed therein and BNP Paribas (12)
4.13	Loan Agreement, dated March 17, 2015, by and among Knox Shipping Company Inc., Bokak Shipping Company Inc., Jemo Shipping Company Inc., Guam Shipping Company Inc., Palau Shipping Company Inc., Makur Shipping Company Inc., Mandaringina Inc., Vesta Commercial, S.A., the Banks and Financial Institutions listed therein, Nordea Bank Finland Plc and Nordea Bank AB, London Branch (12)
4.14	Administrative Services Agreement, dated October 1, 2013, by and between Diana Shipping Inc. and Diana Shipping Services S.A. (11)
4.15	Amended and Restated Non-Competition Agreement, dated as of March 1, 2013, by and between Diana Shipping Inc. and Diana Containerships Inc. (11)
4.16	Loan Agreement with ABN AMRO Bank N.V., dated March 26, 2015 (13)
4.17	Loan Agreement with Danish Ship Finance, dated April 29, 2015 (13)
4.18	Joint Venture and Subscription Agreement with Wilhelmsen Ship Management, dated January 16, 2015 (13)
4.19	Loan Agreement with BNP Paribas, dated July 22, 2015 (13)

4.20	Loan Agreement with ING Bank N.V., dated September 30, 2015 (13)
4.21	Loan Agreement with The Export-Import Bank of China, dated January 7, 2016 (13)
4.22	Loan Agreement with ABN AMRO Bank N.V., dated March 29, 2016 (15)
4.23	Brokerage Services Agreement, dated April 1, 2016, by and between Diana Shipping Inc. and Diana Enterprises Inc. (15)
4.24	Loan Agreement with DNB Bank ASA and The Export-Import Bank of China, dated May 10, 2016 (15)
4.25	Fourth Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Eluk Shipping Company Inc. and Diana Containerships Inc., dated September 12, 2016 (15)
4.26	Waiver Letter from Commonwealth Bank of Australia dated January 13, 2017 (15)
4.27	Amendment to Loan Agreement dated October 2, 2010 with the Export-Import Bank of China and DnB Nor Bank ASA, dated February 15, 2017 (15)
4.28	Brokerage Services Agreement, dated April 1, 2017, by and between Diana Shipping Inc. and Steamship Shipbroking Enterprises Inc. (formerly Diana Enterprises Inc.)
4.29	Fifth Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Kapa Shipping Company Inc. and Diana Containerships Inc., dated May 30, 2017
4.30	Intercreditor Agreement with Diana Containerships Inc., dated June 30, 2017
4.31	Subordinated Facility Agreement by and between Diana Containerships Inc. and Diana Shipping Inc., dated June 30, 2017
4.32	Amendment to Loan Agreement dated October 2, 2010 with the Export-Import Bank of China and DnB Nor Bank ASA, dated May 18, 2017
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, 2017, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2016 and 2017; (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2016 and 2017; (iii) Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2015, 2016 and 2017; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2016 and 2017; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2016 and 2017; 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 Exhibit 3.3 to the Company's Form 8-A filed on February 13, 2014.
- (4) Filed as Exhibit 3.1 to the Company's Form 8-A12B/A filed on January 15, 2016.
- (5) Filed as Exhibit 4.1 to the Company's Form 6-K filed on May 28, 2015.
- (6) Filed as Exhibit 4.2 to the Company's Form 6-K filed on May 28, 2015.
- (7) Filed as Exhibit 4.1 to the Company's Form 8-A12B/A filed on January 15, 2016.
- (8) Filed as an Exhibit to the Company's Registration Statement (File No. 123052) on March 1, 2005.
- (9) Filed as an Exhibit to the Company's Amended Registration Statement (File No. 123052) on March 15, 2005.
- (10) 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 March 27, 2014.
- (12) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 25, 2015.
- (13) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 28, 2016.
- (14) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on April 20, 2012.
- (15) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on February 17, 2017.
- (16) Filed as Exhibit 4.1 to the Company's Form 8-A12B filed on February 13, 2014.
- (17) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 31, 2011.

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 16, 2018

DIANA SHIPPING INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Balance Sheets as of December 31, 2017 and 2016	F-4
Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015	F-5
Consolidated Statements of Comprehensive Loss for the years ended December 31, 2017, 2016 and 2015	F-5
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015	F-7
Notes to Consolidated Financial Statements	F-8

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Diana Shipping Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 16, 2018, expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

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

Athens, Greece
March 16, 2018

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Diana Shipping Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Diana Shipping Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Diana Shipping Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 16, 2018, expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations on Internal Control over Financial Reporting

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

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

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

Athens, Greece
March 16, 2018

DIANA SHIPPING INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2(e))	\$ 40,227	\$ 98,142
Accounts receivable, trade (Note 2(f))	4,937	5,903
Due from related parties (Notes 2(g) and 4(b))	82,660	102
Inventories (Note 2(h))	5,770	5,860
Prepaid expenses and other assets	5,167	5,309
Total current assets	<u>138,761</u>	<u>115,316</u>
FIXED ASSETS:		
Advances for vessels under construction and acquisitions and other vessel costs	-	46,863
Vessels net book value (Note 5)	1,053,578	1,403,912
Property and equipment, net (Note 6)	22,650	23,114
Total fixed assets	<u>1,076,228</u>	<u>1,473,889</u>
OTHER NON-CURRENT ASSETS:		
Restricted cash (Notes 2(e) and 7)	25,582	23,000
Due from related parties, non-current (Notes 2(g) and 4(b))	-	45,417
Investments in related parties (Notes 2(v) and 3)	3,249	6,014
Deferred charges, net (Notes 2(m), 2(n) and 5)	2,902	5,027
Total assets	<u>\$ 1,246,722</u>	<u>\$ 1,668,663</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt, net of deferred financing costs, current (Note 7)	\$ 60,763	\$ 65,072
Accounts payable, trade and other	7,954	6,572
Due to related parties (Note 4(a) and 4(d))	271	25
Accrued liabilities	8,246	5,734
Deferred revenue	3,207	822
Total current liabilities	<u>80,441</u>	<u>78,225</u>
Long-term debt, net of current portion and deferred financing costs, non-current (Note 7)	540,621	533,109
Other non-current liabilities	902	740
Commitments and contingencies (Note 8)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock (Note 9(a))	26	26
Common stock, \$0.01 par value; 200,000,000 shares authorized and 106,131,017 and 84,696,017 issued and outstanding at December 31, 2017 and 2016, respectively (Note 9(b) and (c))	1,061	847
Additional paid-in capital	1,070,500	985,171
Accumulated other comprehensive income	294	185
Retained earnings/(Accumulated deficit)	(447,123)	70,360
Total stockholders' equity	<u>624,758</u>	<u>1,056,589</u>
Total liabilities and stockholders' equity	<u>\$ 1,246,722</u>	<u>\$ 1,668,663</u>

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

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2017, 2016 and 2015
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES:			
Time charter revenues	\$ 161,897	\$ 114,259	\$ 157,712
EXPENSES:			
Voyage expenses	8,617	13,826	15,528
Vessel operating expenses	90,358	85,955	88,272
Depreciation and amortization of deferred charges (Notes 2(l) and 2(m))	87,003	81,578	76,333
General and administrative expenses	26,332	25,510	25,335
Management fees to related party (Notes 3(b) and 4(d))	1,883	1,464	405
Impairment loss (Note 5)	442,274	-	-
Insurance recoveries, net of other loss (Note 5)	(10,879)	-	-
Gain on contract termination	-	(5,500)	-
Other loss/(income)	296	(253)	(984)
Operating loss	<u>\$ (483,987)</u>	<u>\$ (88,321)</u>	<u>\$ (47,177)</u>
OTHER INCOME / (EXPENSES):			
Interest and finance costs (Note 10)	(26,628)	(21,949)	(15,555)
Interest and other income (Note 4(b))	4,508	2,410	3,152
Loss from equity method investments (Note 3)	(5,607)	(56,377)	(5,133)
Total other expenses, net	<u>\$ (27,727)</u>	<u>\$ (75,916)</u>	<u>\$ (17,536)</u>
Net loss	<u>\$ (511,714)</u>	<u>\$ (164,237)</u>	<u>\$ (64,713)</u>
Dividends on series B preferred shares (Notes 9(a) and 11)	(5,769)	(5,769)	(5,769)
Net loss attributed to common stockholders	<u>\$ (517,483)</u>	<u>\$ (170,006)</u>	<u>\$ (70,482)</u>
Loss per common share, basic and diluted (Note 11)	<u>\$ (5.41)</u>	<u>\$ (2.11)</u>	<u>\$ (0.89)</u>
Weighted average number of common shares, basic and diluted (Note 11)	<u>95,731,093</u>	<u>80,441,517</u>	<u>79,518,009</u>

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2017, 2016 and 2015
(Expressed in thousands of U.S. Dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net loss	<u>\$ (511,714)</u>	<u>\$ (164,237)</u>	<u>\$ (64,713)</u>
Other comprehensive income/(loss) (Actuarial gain/(loss))	109	(84)	1,016
Comprehensive loss	<u>\$ (511,605)</u>	<u>\$ (164,321)</u>	<u>\$ (63,697)</u>

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, 2017, 2016 and 2015
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Other Comprehensive Income / (Loss)	Retained Earnings/ (Accumulated Deficit)	Total Equity
	# of Shares	Par Value	# of Shares	Par Value				
BALANCE, December 31, 2014	<u>2,600,000</u>	<u>\$ 26</u>	<u>81,859,821</u>	<u>\$ 819</u>	<u>\$ 971,280</u>	<u>\$ (747)</u>	<u>\$ 310,848</u>	<u>\$ 1,282,226</u>
Net loss	-	\$ -	-	\$ -	-	\$ -	\$ (64,713)	\$ (64,713)
Issuance of restricted stock and compensation cost (Note 9(d))	-	-	1,100,000	10	8,269	-	-	8,279
Dividends on series B preferred stock (Note 9(a))	-	-	-	-	-	-	(5,769)	(5,769)
Stock repurchased and retired (Note 9(e))	-	-	(413,804)	(4)	(2,669)	-	-	(2,673)
Other comprehensive income	-	-	-	-	-	1,016	-	1,016
BALANCE, December 31, 2015	<u>2,600,000</u>	<u>\$ 26</u>	<u>82,546,017</u>	<u>\$ 825</u>	<u>\$ 976,880</u>	<u>\$ 269</u>	<u>\$ 240,366</u>	<u>\$ 1,218,366</u>
Net loss	-	\$ -	-	\$ -	-	\$ -	\$ (164,237)	\$ (164,237)
Issuance of restricted stock and compensation cost (Note 9(d))	-	-	2,150,000	22	8,291	-	-	8,313
Dividends on series B preferred stock (Note 9(a))	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	(84)	-	(84)
BALANCE, December 31, 2016	<u>2,600,000</u>	<u>\$ 26</u>	<u>84,696,017</u>	<u>\$ 847</u>	<u>\$ 985,171</u>	<u>\$ 185</u>	<u>\$ 70,360</u>	<u>\$ 1,056,589</u>
Net loss	-	\$ -	-	\$ -	-	\$ -	\$ (511,714)	\$ (511,714)
Issuance of common stock (Note 9 (c))	-	-	20,125,000	201	77,110	-	-	77,311
Issuance of restricted stock and compensation cost (Note 9(d))	-	-	1,310,000	13	8,219	-	-	8,232
Dividends on series B preferred stock (Note 9(a))	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive income	-	-	-	-	-	109	-	109
BALANCE, December 31, 2017	<u>2,600,000</u>	<u>\$ 26</u>	<u>106,131,017</u>	<u>\$ 1,061</u>	<u>\$ 1,070,500</u>	<u>\$ 294</u>	<u>\$ (447,123)</u>	<u>\$ 624,758</u>

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

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017, 2016 and 2015
(Expressed in thousands of U.S. Dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:			
Net loss	\$ (511,714)	\$ (164,237)	\$ (64,713)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization of deferred charges	87,003	81,578	76,333
Impairment loss (Note 5)	442,274	-	-
Amortization of financing costs (Note 10)	1,455	1,503	1,364
Amortization of free lubricants benefit	-	(15)	(85)
Compensation cost on restricted stock (Note 9(d))	8,232	8,313	8,279
Actuarial gain/(loss)	109	(84)	1,016
Gain from insurance recoveries, net of other loss (Note 5)	(10,879)	-	-
Gain on shipbuilding contract termination	-	(278)	-
Loss from equity method investments, net of dividends (Note 3)	5,607	56,377	5,133
(Increase) / Decrease in:			
Receivables	966	(1,391)	1,871
Due from related parties	(141)	3,334	2,070
Inventories	90	391	1,062
Prepaid expenses and other assets	142	620	(349)
Increase / (Decrease) in:			
Accounts payable	1,382	(2,391)	(739)
Due to related parties	246	(39)	(217)
Accrued liabilities, net of accrued preferred dividends	2,512	(715)	437
Deferred revenue	2,385	(1,592)	(865)
Other liabilities	162	117	(643)
Drydock costs	(6,418)	(2,489)	(6,009)
Net cash provided by / (used in) Operating Activities	\$ 23,413	\$ (20,998)	\$ 23,945
Cash Flows from Investing Activities:			
Payments for vessel acquisitions, improvements and construction (Note 5)	(125,781)	(50,911)	(155,352)
Proceeds from vessel sale, net of expenses (Note 5)	2,032	-	-
Proceeds from insurance contract, net of expenses (Note 5)	11,362	-	-
Proceeds from sale of investment (Note 3)	158	-	-
Proceeds from shipbuilding contract termination (Notes 5)	-	9,413	-
Cash dividends from investment in Diana Containerships Inc. (Note 3(a))	-	96	193
Loan to Diana Containerships Inc. (Note 4(b))	(40,000)	-	-
Joint venture investment (Note 3(b))	-	-	(267)
Payments for plant, property and equipment (Note 6)	(104)	(217)	(211)
Net cash used in Investing Activities	\$ (152,333)	\$ (41,619)	\$ (155,637)
Cash Flows from Financing Activities:			
Proceeds from long-term debt (Note 7)	57,240	39,265	441,173
Proceeds from issuance of common stock, net of expenses (Note 9(c))	77,311	-	-
Cash dividends on preferred stock	(5,769)	(5,769)	(5,769)
Payments for repurchase of common stock (Note 9(e))	-	-	(2,673)
Financing costs	(31)	(466)	(5,482)
Loan payments (Note 7)	(55,164)	(42,489)	(321,240)
Net cash provided by / (used in) Financing Activities	\$ 73,587	\$ (9,459)	\$ 106,009
Net decrease in cash, cash equivalents and restricted cash	(55,333)	(72,076)	(25,683)
Cash, cash equivalents and restricted cash at beginning of the year	121,142	193,218	218,901
Cash, cash equivalents and restricted cash at end of the year	\$ 65,809	\$ 121,142	\$ 193,218
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents	\$ 40,227	\$ 98,142	171,718
Restricted cash	25,582	23,000	21,500
Cash, cash equivalents and restricted cash	\$ 65,809	\$ 121,142	193,218
SUPPLEMENTAL CASH FLOW INFORMATION			
Related party loan reduction in exchange for preferred shares (Note 4(b))	\$ 3,000	\$ -	\$ -
Interest, net of amounts capitalized	\$ 24,503	\$ 19,265	\$ 13,048

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

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

1. Basis of Presentation and General Information

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

The consolidated statements of cash flows for the years ended December 31, 2016 and 2015 have been derived from the audited consolidated financial statements for those years, as adjusted to conform to current period presentation for restricted cash following the adoption of ASU No. 2016-18.

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 the majority of its own fleet through Diana Shipping Services S.A., or DSS, a wholly-owned subsidiary and a limited number of vessels through a 50% owned joint venture (Notes 3 and 4).

Diana Shipping Services S.A., or DSS, provides the Company and its vessels with management services since November 12, 2004, pursuant to management agreements and since October 1, 2013 administrative services with regards to services related to DSI's operations and its subsidiaries. Such costs are eliminated in consolidation. As at December 31, 2017, DSS does not provide management services to ten vessels in the Company's fleet whose management has been transferred progressively since August 2015 to Diana Wilhelmsen Management Limited, or DWM, (Notes 3(b) and 4(d)).

During 2017, 2016, and 2015 charterers that individually accounted for 10% or more of the Company's time charter revenues were as follows:

Charterer	2017	2016	2015
A	17%		
B	14%	15%	
C	12%	10%	
D		19%	24%
E		10%	20%
F			12%
G			10%

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

2. Significant Accounting Policies

- (a) **Principles of Consolidation:** The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, and include the accounts of Diana Shipping Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Under Accounting Standards Codification ("ASC") 810 "Consolidation", the Company consolidates entities in which it has a controlling financial interest, by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary under the VIE model, or if the Company controls an entity through a majority of voting interest based on the voting interest model. The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist. For entities in which the Company has a variable interest, the Company determines if the entity is a VIE by considering whether the entity's equity investment at risk is sufficient to finance its activities without additional subordinated financial support and whether the entity's at-risk equity holders have the characteristics of a controlling financial interest. In performing the analysis of whether the Company is the primary beneficiary of a VIE, the Company considers whether it individually has the power to direct the activities of the VIE that most significantly affect the entity's performance and also has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company reconsiders the initial determination of whether an entity is a VIE if certain types of events ("reconsideration events") occur. If the Company holds a variable interest in an entity that previously was not a VIE, it reconsiders whether the entity has become a VIE. The Company has identified that it has variable interests in Diana Containerships Inc. and Diana Wilhelmsen Management Limited. The Company assessed reconsideration events and concluded that Diana Containerships Inc. is a VIE, however the Company is not the primary beneficiary (Notes 3(a) and 4(b)).
- (b) **Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (c) **Other Comprehensive Income / (loss):** The Company separately presents certain transactions, which are recorded directly as components of stockholders' equity. Other Comprehensive Income / (Loss) is presented in a separate statement.
- (d) **Foreign Currency Translation:** The functional currency of the Company is the U.S. dollar because the Company's vessels operate in international shipping markets, and therefore primarily transact business in U.S. dollars. The Company's accounting records are maintained in U.S. dollars. Transactions involving other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are translated into U.S. dollars at the year-end exchange rates. Resulting gains or losses are reflected separately in the accompanying consolidated statements of operations.
- (e) **Cash and Cash Equivalents and Restricted Cash:** The Company considers highly liquid investments such as time deposits, certificates of deposit and their equivalents with an original maturity of three months or less to be cash equivalents. Restricted cash consists mainly of cash deposits required to be maintained at all times under the Company's loan facilities (Note 7). As of December 31, 2017, restricted cash also included \$582 of cash guarantee which was restricted to withdrawal or usage.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

- (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, 2017 and 2016.
- (g) **Loan Receivable from Related Party:** The amounts shown as Due from related parties, current and non-current, in the consolidated balance sheet as at December 31, 2017 and 2016, represent amounts receivable from Diana Containerships Inc., or Diana Containerships, with respect to a loan agreement, net of any provision for credit losses and does not include the \$5,000 discount premium due on the termination date of the loan (Note 4(b)). Interest income and fees, deriving from the agreement are recorded in the accounts 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. As at December 31, 2017 and 2016, the Company assessed 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, equity offerings, sale plans, historical losses, and other risks/factors that may affect Diana Containerships' future financial condition and its ability to meet its obligations. As a result of this assessment, the Company did not record any provision for credit losses, as it determined that Diana Containerships will be able to meet its obligations under the loan in the near future.
- (h) **Inventories:** Inventories consist of lubricants and victualling which are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in earnings in the period in which it occurs. Cost is determined by the first in, first out method. Inventories may also consist of bunkers when on the balance sheet date a vessel remains idle. Bunkers, if any, are also stated at the lower of cost or net realizable value and cost is determined by the first in, first out method.
- (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 owns 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. The building has an estimated useful life of 55 years with no residual value. Depreciation is calculated on a straight-line basis. Equipment consists of office furniture and equipment, computer software and hardware and vehicles which consist of motor scooters and a car. The useful life of the car is 10 years, of the office furniture, equipment and the scooters is 5 years; and of the computer software and hardware is 3 years. Depreciation is calculated on a straight-line basis.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

- (k) **Impairment of Long-Lived Assets:** Long-lived assets (vessels, land, and building) and certain identifiable intangibles held and used by an entity are reviewed for impairment whenever events or changes in circumstances (such as market conditions, obsolescence 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 of historical 1 year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of commissions. Historical ten-year blended average one-year time charter rates are in line with the Company's overall chartering strategy, they reflect the full operating history of vessels of the same type and particulars with the Company's operating fleet and they cover at least a full business cycle; (ii) expected outflows for scheduled vessels' maintenance; (iii) vessel operating expenses; and (iv) fleet utilization; assumptions in line with the Company's historical performance and its expectations for future fleet utilization under its current fleet deployment strategy.

During the last quarter of 2017, the Company's management considered various factors, including the recovery of the market, the worldwide demand for dry-bulk products, supply of tonnage and order book and concluded that the charter rates for the years 2008-2010 are exceptional. In this respect the Company's management decided to exclude from the 10-year average of 1 year time charters these three years for which the rates were well above the average and which were not considered sustainable for the foreseeable future. The Company performed the exercise discussed above which resulted to recording an impairment on certain vessels' carrying value (Note 5). No impairment loss has been identified or recorded for 2016 and 2015.

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, 2017, 2016 and 2015, 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.

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

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

- (m) **Accounting for Dry-Docking Costs:** The Company follows the deferral method of accounting for dry-docking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next dry-docking is scheduled to become due. Unamortized dry-docking costs of vessels that are sold or impaired are written off and included in the calculation of the resulting gain or loss in the year of the vessel's sale or impairment.
- (n) **Financing Costs:** Fees paid to lenders for obtaining new loans or refinancing existing ones are deferred and recorded as a contra to debt. Other fees paid for obtaining loan facilities not used at the balance sheet date are 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.
- (o) **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 second preferred mortgages over the vessels of Diana Containerships' fleet (Note 4(b)). The Company has not entered into any agreement to mitigate credit risk.
- (p) **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, if any, 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. Compensation due to earlier redelivery than the minimum period agreed in the charter party is recognized in the period earned. 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 and gain or loss from the sale of bunkers on delivery to the time charterers. 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.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

- (q) **Repairs and Maintenance:** All repair and maintenance expenses including underwater inspection expenses are expensed in the year incurred. Such costs are included in vessel operating expenses in the accompanying consolidated statements of operations.
- (r) **Earnings / (loss) per Common Share:** Basic earnings / (loss) per common share are computed by dividing net income / (loss) available to common stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised.
- (s) **Segmental Reporting:** The Company 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.
- (t) **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.
- (u) **Share Based Payments:** The Company issues restricted share awards which are measured at their grant date fair value and are not subsequently re-measured. That cost is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Forfeitures of awards are accounted for when and if they occur. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.
- (v) **Equity method investments:** Investments in common stock in entities over which the Company exercises significant influence, but does not exercise control are accounted for by the equity method of accounting. Under this method, the Company records such an investment at cost and adjusts the carrying amount for its share of the earnings or losses of the entity subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received, if any, reduce the carrying amount of the investment. When the Company's share of losses in an entity accounted for by the equity method equals or exceeds its interest in the entity, the Company does not recognize further losses, unless the Company has made advances, incurred obligations and made payments on behalf of the entity. The Company also evaluates whether a loss in value of an investment that is other than a temporary decline should be recognized. Evidence of a loss in value might include absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment. The Company assessed the financial condition of Diana Containerships (Note 3(a)), the market conditions that could affect its operations in the near future and historical losses of its investment and as a result the Company recorded impairment in 2017 and 2016, which is included in Loss from equity method investments in the accompanying statements of operations.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

- (w) **Going concern:** The Company's policy is in accordance with ASU No. 2014-15, "Presentation of Financial Statements - Going Concern", issued in August 2014 by the FASB. ASU 2014-15 provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and on related required footnote disclosures. For each reporting period, management evaluates whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year from the date the financial statements are issued.

Recent Accounting Pronouncements adopted

As of January 1, 2017, the Company adopted ASU No. 2016-15- Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments and ASU No. 2016-18—Statement of Cash Flows – Restricted Cash.

The adoption of ASU No. 2016-15- Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments did not result in any changes in the classification of cash receipts and cash payments. The adoption of ASU No. 2016-18—Statement of Cash Flows – Restricted Cash, changed the presentation of restricted cash in cash flow, where amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

Recent Accounting Pronouncements not yet adopted

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", clarifying the method used to determine the timing and requirements for revenue recognition on the statements of income. Under the new standard, an entity must identify the performance obligations in a contract, the transaction price and allocate the price to specific performance obligations to recognize the revenue when the obligation is completed. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts. In August 2015, FASB issued ASU No. 2015-14 "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date of ASU 2014-09 for all entities by one year. The standard will be effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods therein. In May and April 2016, the FASB issued two Updates with respect to Topic 606: ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients." The Company has evaluated the impact of the standard after reviewing historical contracts and has determined that all of the Company's agreements are considered leases. Certain non-lease components which are required to be assessed according to this standard, may only affect presentation and disclosures and not the way revenue is recognized.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842), which requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For public companies, the standard will be effective for the first interim reporting period within annual periods beginning after December 15, 2018, although early adoption is permitted. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures. The Company is analyzing the impact of the adoption of this guidance on the Company's consolidated financial statements, including assessing changes that might be necessary to information technology systems, processes and internal controls to capture new data and address changes in financial reporting.

In May 2017, the FASB issued ASU 2017-09, "Compensation — Stock Compensation (Topic 718), Scope of Modification Accounting" ("ASU 2017-09"), which clarifies and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. ASU 2017-09 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2017, however early adoption is permitted. The Company does not expect that the adoption of ASU 2017-09 will have a material effect in the Company's financial statements.

In June 2016, the FASB issued ASU No. 2016-13— Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For public entities, the amendments of this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted. The Company does not expect that the adoption of ASU 2016-13 will have a material effect in the Company's financial statements.

3. Investments in related parties

a) *Diana Containerships Inc., or Diana Containerships:* As at December 31, 2016, DSI owned 25.73% of the common stock of Diana Containerships amounting to \$5,815 and included in "Investments in related parties" in the accompanying consolidated balance sheets. As at December 31, 2017, the investment was reduced to zero following the gradual sales during the year of all Diana Containerships' common stock previously owned by the Company.

For 2017, 2016, and 2015, the investment in Diana Containerships resulted in loss of \$5,656, \$56,465, and \$4,977, respectively, of which \$3,124, \$17,568 and \$0, respectively was impairment, which was recorded based on Diana Containerships' market value on Nasdaq at the date of each impairment charge recognition. The loss and impairment are included in "Loss from equity method investments" in the accompanying consolidated statements of operations. Additionally, for 2017, Loss from equity method investments also includes \$757 loss from the sale of the shares discussed above. For 2017, 2016, and 2015, DSI received dividends from Diana Containerships amounting to \$0, \$96 and \$193, respectively.

On May 30, 2017, the company acquired 100 shares of newly-designated Series C Preferred Stock, par value \$0.01 per share, of Diana Containerships for \$3,000 in exchange for a reduction of an equal amount in the principal amount of the Company's outstanding loan to Diana Containerships (Note 4(b)). The Series C Preferred Stock has no dividend or liquidation rights. The Series C Preferred Stock votes with the common shares of Diana Containerships, if any, and each share of the Series C Preferred Stock entitles the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates does not exceed 49.0%, on all matters submitted to a vote of the stockholders of Diana Containerships. The acquisition of shares of Series C Preferred Stock was approved by an independent committee of the Board of Directors of the Company. As at December 31, 2017, the \$3,000 is also included in "Investments in related parties" in the accompanying 2017 consolidated balance sheet accounted for at cost less impairment, if any.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

- b) **Diana Wilhelmsen Management Limited, or DWM:** DWM is a joint venture which was established on May 7, 2015 by Diana Ship Management Inc., a wholly owned subsidiary of DSI, and Wilhelmsen Ship Management Holding Limited, an unaffiliated third party, each holding 50% of DWM. As at December 31, 2017, DWM provided management services to ten vessels of the Company's fleet (Note 4(d)). The DWM office is located in Limassol, Cyprus. As at December 31, 2017 and 2016, the investment in DWM amounted to \$249 and \$199, respectively, and is included in "Investments in related parties" in the accompanying consolidated balance sheets. For 2017, 2016, and 2015, the investment in DWM resulted in gain of \$49, \$88, and loss of \$156, respectively, included in "Loss from equity method investments" in the accompanying consolidated statements of operations.

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 of the Board. Travel expenses for 2017, 2016 and 2015 amounted to \$2,096, \$2,320, and \$2,685, respectively, and are mainly included in "Vessels, net book value", "Advances for vessels under construction and acquisitions and other vessel costs", "Vessel operating expenses" and "General and administrative expenses" in the accompanying consolidated financial statements. At December 31, 2017 and 2016, an amount of \$162 and \$23, respectively, was payable to Altair and is included in "Due to related parties" in the accompanying consolidated balance sheets.
- (b) **Diana Containerships Inc.:** On May 20, 2013, the Company entered into a five year unsecured loan of \$50,000 with a subsidiary of Diana Containerships, drawn on August 20, 2013, for general corporate purposes and working capital. The loan, initially bore interest at LIBOR plus a margin of 5% and a back-end fee equal to 1.25% per annum on the outstanding amount of the loan payable by the borrower on the repayment date of the loan. Following an amendment on September 9, 2015, the interest was reduced to LIBOR plus a margin of 3% per annum, the back-end fee which was paid on the date of the amendment was eliminated, and a fixed fee of \$200 was to be payable on the maturity date. In addition, the borrower agreed to repay the principal amount of the loan on the last day of each interest period in amounts totalling \$5,000 per annum, but not to exceed \$32,500 in the aggregate. Following another amendment on August 24, 2016, the repayment of all outstanding principal amounts was deferred until a later date, the borrower was changed to another wholly-owned subsidiary of Diana Containerships and the interest rate of the deferral period increased to 3.35% per annum over LIBOR. On May 30, 2017, as discussed in Note 3(a), the loan was decreased by \$3,000, in order to acquire the Series C Preferred Stock issued by Diana Containerships.

On June 30, 2017, DSI entered into an agreement with Diana Containerships to refinance the above loan, amounting to \$42,417 at that date, with a loan facility of \$82,617, which reflects an additional loan amount to Diana Containerships of \$40,000 and the \$200 fixed fee of the previous loan which became payable on the termination date of the previous agreement and has been included in "Interest and other income" in the accompanying statements of operations. The loan also provides for an additional \$5,000 interest-bearing discount premium payable on the termination date, unless the lender demands earlier prepayment on or after the first anniversary of the drawdown of the loan, in which case the discount premium is waived. The loan matures in eighteen months from its date of signing, or December 31, 2018, and bears interest at the rate of 6% per annum for the first twelve months, scaled to 9% for the next three months, and further scaled to 12% for the remaining three months of the loan. The loan facility is secured by second preferred mortgages on Diana Containerships' vessels and includes financial and other covenants. Additionally, Diana Containerships is required to prepay the loan with any proceeds received from equity offerings, loan refinancings and vessel sales, according to the terms of the loan agreement. The loan is subordinated to the loan of Diana Containerships with another lender.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

As at December 31, 2017 the outstanding balance of the loan and interest due from Diana Containerships amounted to \$82,660 and is separately presented in "Due from related parties, current" in the related accompanying consolidated balance sheet (Note 14(c)). This amount does not include the additional \$5,000 interest-bearing discount premium, which is payable on the termination date (Note 8(b)). As at December 31, 2016, there was an amount of \$102 and \$45,417 presented in Due from related parties, current and non-current, respectively.

For 2017, 2016 and 2015, interest and other income amounted to \$3,855, \$1,692, and \$2,745, respectively, and is included in "Interest and other income" in the accompanying consolidated statements of operations.

- (c) **Diana Enterprises Inc. renamed to Steamship Shipbroking Enterprises Inc., or Steamship:** Steamship is a company controlled by the Company's CEO and Chairman of the Board which provides brokerage services to DSI pursuant to a Brokerage Services Agreement for a fixed fee amended annually on each anniversary of the agreement. For 2017, 2016 and 2015, brokerage fees amounted to \$1,800, \$1,680, and \$1,302, respectively, and are included in "General and administrative expenses" in the accompanying consolidated statements of operations. As of December 31, 2017 and 2016, there was no amount due to Steamship included in the accompanying consolidated balance sheets.
- (d) **Diana Wilhelmsen Management Limited:** As of December 31, 2017, DWM provided management services to ten vessels of the Company's fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues. Management fees for 2017, 2016 and 2015 amounted to \$1,883, \$1,464, and \$405, respectively, and are separately presented as "Management fees to related party" in the accompanying consolidated statements of operations, whereas commercial fees amounted to \$260, \$124, and \$43, respectively, and are included in "Voyage expenses" in the accompanying consolidated statements of operations. As at December 31, 2017 and 2016 there was an amount of \$109 and \$2, respectively, due to DWM, included in "Due to related parties" in the accompanying consolidated balance sheets.
- (e) **Vessel Acquisitions:** On February 4, 2016, the Company, through three separate wholly-owned subsidiaries, entered into three Memoranda of Agreement to acquire from a related party three Panamax vessels for an aggregate purchase price of \$39,265. The Company had agreed to acquire the vessels from entities affiliated with Mrs. Semiramis Paliou and Mrs. Aliko Paliou, each of whom is a family member of the Company's Chief Executive Officer and Chairman of the Board. Mrs. Semiramis Paliou is also a director of the Company. The transaction was approved unanimously by a committee of the Board of Directors established for the purpose of considering the transaction and consisting of the Company's independent directors and each of its executive directors other than Mrs. Semiramis Paliou and Mr. Simeon Palios. The agreed upon purchase price of the vessels was based, among other factors, on independent third party broker valuations obtained by the Company. Two of the vessels were delivered in March 2016 and the third was delivered in May 2016 (Note 5).

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

5. Vessels, net book value

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

	<u>Vessel Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance, December 31, 2015	<u>\$ 1,947,992</u>	<u>\$ (507,189)</u>	<u>\$ 1,440,803</u>
- Acquisitions, improvements and other vessel costs	39,427	-	39,427
- Depreciation for the year	-	(76,318)	(76,318)
Balance, December 31, 2016	<u>\$ 1,987,419</u>	<u>\$ (583,507)</u>	<u>\$ 1,403,912</u>
- Transfer from advances for vessels under construction and acquisition and other vessel costs	104,858	-	104,858
- Acquisitions, improvements and other vessel costs	67,787	-	67,787
- Vessel disposal	(15,349)	12,834	(2,515)
- Impairment charges	(877,484)	438,573	(438,911)
- Depreciation for the year	-	(81,553)	(81,553)
Balance, December 31, 2017	<u>\$ 1,267,231</u>	<u>\$ (213,653)</u>	<u>\$ 1,053,578</u>

On February 4, 2016, the Company acquired the vessels *Ismene*, *Selina* and *Maera* for an aggregate purchase price of \$39,265. *Ismene* and *Selina* were delivered in March 2016 and the *Maera* was delivered in May 2016.

On October 31, 2016, Houk Shipping Company Inc. provided a notice of cancellation of the shipbuilding contract pursuant to its right under the contract to cancel the contract due to a delay in delivery and to claim a refund of the pre-delivery installments and interest, amounting to \$9,413, which the Company received in December 2016.

On January 4, 2017, the Company took delivery of Hull H2548 named *San Francisco*, and Hull H2549 named *Newport News*, which were under construction until then for an aggregate contract price of \$95,400. As at December 31, 2016, advances for the construction and other vessel costs amounted to \$46,863 and are separately presented in the related consolidated balance sheet.

In April 2017, the Company acquired the vessels *Astarte*, *Electra* and *Phaidra* from unaffiliated third party sellers for an aggregate purchase price of \$67,250. All three vessels were delivered in May 2017.

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

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

As at December 31, 2017, the Company's estimated undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of certain vessels over their remaining useful lives and their eventual disposition was less than their carrying amount. During the last quarter of 2017, the Company's management considered various factors, including the recovery of the market, the worldwide demand for dry-bulk products, supply of tonnage and order book and concluded that the charter rates for the years 2008-2010 are extraordinary. In this respect the Company's management decided to exclude from the 10-year average of 1 year time charters these three years for which the rates were well above the average and which were not considered sustainable for the foreseeable future. The Company performed the exercise discussed above which resulted to recording an impairment on certain vessels' carrying value (Note 2). Accordingly, the Company recognized an aggregate impairment loss of \$422,466, which is included in "Impairment loss" in the 2017 accompanying consolidated statement of operations of which \$3,362 was recognized in "Deferred charges, net". The change in the assumption resulted to an increased impairment loss, net loss and net loss attributed to common stockholders of \$287,074, or \$3.0 loss per share. The fair value of the vessels was determined through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations which were based on last done deals of sale of vessels with similar characteristics, such as type, size and age.

6. 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, 2015	\$ 26,365	\$ (2,876)	\$ 23,489
- Additions in property and equipment	217	-	217
- Depreciation for the year	-	(592)	(592)
Balance, December 31, 2016	\$ 26,582	\$ (3,468)	\$ 23,114
- Additions in property and equipment	104	-	104
- Depreciation for the year	-	(568)	(568)
- Disposal of assets	(3)	3	-
Balance, December 31, 2017	\$ 26,683	\$ (4,033)	\$ 22,650

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

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

	2017	2016
8.5% Senior Unsecured Notes	63,250	63,250
Secured Term Loans	541,543	539,467
Total debt outstanding	\$ 604,793	\$ 602,717
Less related deferred financing costs	(3,409)	(4,536)
Total debt, net of deferred financing costs	\$ 601,384	\$ 598,181
Less: Current portion of long term debt, net of deferred financing costs current	(60,763)	(65,072)
Long-term debt, net of current portion and deferred financing costs, non-current	\$ 540,621	\$ 533,109

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

8.5% Unsecured Senior Notes: On May 20, 2015, the Company offered \$63,250 aggregate principal amount of 8.5% Senior Notes due 2020 (the "Notes"), including an overallotment, at the price of \$25.0 per Note, pursuant to an approval obtained by a special committee of the Board of Directors. As part of the offering, the underwriters sold \$12,750 aggregate principal amount of the Notes to, or to entities affiliated with, the Company's chief executive officer, Mr. Simeon Palios, and other executive officers and certain directors of the Company at the public offering price. The proceeds, net of underwriting discount and offering expenses, amounting to \$61,180, are included in "Long-term debt, net of deferred financing costs, non-current" in the accompanying consolidated balance sheets. As of May 29, 2015, the Notes are trading on the NYSE under the ticker symbol "DSXN".

The Notes bear interest from May 28, 2015 at a rate of 8.5% per year and will mature on May 15, 2020. Interest is payable quarterly in arrears on the 15th day of February, May, August and November of each year, commencing on August 15, 2015. Since May 15, 2017, the Company may redeem the Notes at its option, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Notes include financial and other covenants, including maximum net borrowings and minimum tangible net worth.

Secured Term Loans: The Company, through its subsidiaries, has entered into various long term loan agreements with bank institutions to partly finance or, as the case may be, refinance part of the acquisition cost of certain of its fleet vessels. The loan agreements are repayable in quarterly or semi-annual installments plus one balloon installment per loan agreement to be paid together with the last installment and bear interest at LIBOR plus margin ranging from 1% to 3%. Their maturities range from January 2019 to March 2032. For 2017 and 2016, the weighted average interest rates of the secured term loans were 3.38% and 2.79%, respectively.

As at December 31, 2017, the Company had the following agreements with banks:

On October 22, 2009, the Company, through a wholly-owned subsidiary, entered into a \$40,000 loan agreement with Bremer Landesbank ("Bremer") to partly finance the acquisition cost of the *Houston*. The loan is repayable in 40 quarterly installments of \$900 each 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% per annum.

On October 2, 2010, the Company, through two wholly-owned subsidiaries, entered into a loan agreement with Export-Import Bank of China ("CEXIM Bank") and DnB NOR Bank ASA ("DnB") to finance part of the construction cost of the *Los Angeles* and the *Philadelphia*, for an amount of up to \$82,600, of which \$72,100 was drawn on delivery. The Lae advance is repayable in 40 quarterly installments of approximately \$628 each and a balloon of \$12,332 payable together with the last installment on February 15, 2022. The Namu advance is repayable in 40 quarterly installments of approximately \$581 each and a balloon of \$11,410 payable together with the last installment on May 18, 2022. Pursuant to an amendment of the loan agreement dated May 18, 2017, each of the individual banks are allowed to demand repayment in full of such bank's contribution in any or all advances on August 16, 2019. If one or more banks (acting through the agent) exercise such right in respect of an advance, the borrowers shall be obliged to repay each such bank's contribution in that advance in full on such date. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

On September 13, 2011, the Company through one wholly-owned subsidiary 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 the *Arethusa*. On December 13, 2012, Bikar, the Company, DSS and Credit Agricole Corporate and Investment Bank ("Credit Agricole") entered into a supplemental loan agreement 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.

On May 24, 2013, the Company through two wholly-owned subsidiaries entered into a loan agreement with CEXIM Bank and DnB to finance part of the construction cost of *Crystalia* and *Atalandi* for an amount of up to \$15,000 for each vessel, drawn on May 22, 2014. Each advance is repayable in 19 quarterly installments of \$250 each and a balloon of \$10,250 payable together with the last installment on February 22, 2019. The loan bears interest at LIBOR plus a margin of 3.0% per annum.

On January 9, 2014, the Company through two wholly-owned subsidiaries entered into a loan agreement with Commonwealth Bank of Australia, London Branch, for a loan facility of up to \$18,000 to finance part of the acquisition cost of the *Melite* and *Artemis*. The loan bears interest at LIBOR plus a margin of 2.25%. The loan was drawn in two tranches, one of \$8,500 assigned to *Melite* and one of \$9,500 assigned to *Artemis*. Tranche A was repayable in 24 equal consecutive quarterly installments of \$196 each; and a balloon of \$3,800 payable on January 13, 2020. As a result of the grounding incident of the *Melite* mentioned in Note 5 and the subsequent sale of the vessel, the respective loan balance was repaid in full in October 2017. Tranche B is repayable in 32 equal consecutive quarterly installments of \$156 each and a balloon of \$4,500 payable on January 13, 2022.

On December 18, 2014, the Company through two wholly-owned subsidiaries entered into a loan agreement with BNP Paribas ("BNP"), for a loan facility of up to \$55,000 to finance part of the acquisition cost of the *G. P. Zafirakis* and the *P. S. Palios*, of which \$53,500 was drawn. The loan bears interest at LIBOR plus a margin of 2%, and is repayable in 14 equal semi-annual installments of approximately \$1,574 and a balloon of \$31,466 payable on November 30, 2021.

On March 17, 2015, the Company, through eight separate wholly-owned subsidiaries, entered into a loan agreement with Nordea Bank AB, London Branch, for a secured term loan facility of up to \$110,000, to refinance the existing indebtedness with the bank and for general corporate and working capital purposes. On March 19, 2015, the Company drew down \$93,080 and repaid the then existing indebtedness with the bank amounting to \$38,345. The loan is repayable in 24 equal consecutive quarterly installments of about \$1,862 each and a balloon of about \$48,402 payable together with the last installment on March 19, 2021. The loan bears interest at LIBOR plus a margin of 2.1%.

On March 26, 2015, the Company, through three wholly-owned subsidiaries, entered into a loan agreement with ABN AMRO Bank N.V. for a secured term loan facility of up to \$53,000, to refinance part of the acquisition cost of the vessels *New York*, *Myrto* and *Maia*. On March 30, 2015, the Company drew down the amount of \$50,160 under the loan facility, which is repayable in 24 equal consecutive quarterly installments of about \$994 each and a balloon of \$26,310 payable together with the last installment on March 30, 2021. The loan bears interest at LIBOR plus a margin of 2.0%.

On April 29, 2015, the Company, through one wholly-owned subsidiary, entered into a term loan agreement with Danish Ship Finance A/S for a loan facility of \$30,000, drawn on April 30, 2015 to partly finance the acquisition cost of the *Santa Barbara*, which was delivered in January 2015. The loan is repayable in 28 equal consecutive quarterly installments of \$500 each and a balloon of \$16,000 payable together with the last installment on April 30, 2022. The loan bears interest at LIBOR plus a margin of 2.15%.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

On July 22, 2015, the Company entered into a term loan agreement with BNP Paribas for a loan of \$165,000 drawn on July 24, 2015. The loan is repayable in 20 consecutive quarterly installments, the first eight installments in an amount of \$2,500 each, followed by four installments in an amount of \$5,000 each; eight installments in an amount of \$7,000 each; and a balloon installment of \$69,000 payable together with the last installment on July 24, 2020. The loan bears interest at LIBOR plus a margin of 2.35% per annum for the first two years; 2.3% per annum for the third year and 2.25% per annum until the final maturity of the loan.

On September 30, 2015, the Company, through two wholly-owned subsidiaries, entered into a term loan agreement with ING Bank N.V. for a loan of up to \$39,683, available in two advances to finance part of the acquisition cost of the *New Orleans* and the *Medusa*. Advance A of \$27,950 was drawn on November 19, 2015 and is repayable in 28 consecutive quarterly installments of about \$466 each and a balloon installment of about \$14,907 payable together with the last installment on November 19, 2022. Advance B of \$11,733 was drawn on October 6, 2015 and is repayable in 28 consecutive quarterly installments of about \$293 each and a balloon installment of about \$3,520 payable together with the last installment on October 6, 2022. The loan bears interest at LIBOR plus a margin of 1.65%.

On January 7, 2016, the Company, through three wholly-owned subsidiaries, entered into a secured loan agreement with the Export-Import Bank of China for a loan of up to \$75,735 in order to finance part of the construction cost of *Newport News, San Francisco* (Note 5) and *Hull DY6006*. The tranche for *Hull DY6006*, whose shipbuilding contract was cancelled on October 31, 2016, was cancelled and on February 6, 2017, pursuant to a Deed of Release with the bank the owner of *Hull DY6006* was released of all of its obligations under the loan agreement as borrower. On January 4, 2017, the Company drew down \$57,240. The loan is repayable in 60 equal quarterly instalments of \$954 each by March 12, 2032 and bears interest at LIBOR plus a margin of 2.3%.

On March 29, 2016, the Company, through two wholly-owned subsidiaries, entered into a term loan agreement with ABN AMRO Bank N.V. for a loan of \$25,755, drawn on March 30, 2016, to finance the acquisition cost of the *Selina* and the *Ismene*. The loan is payable in eight consecutive quarterly installments of \$855 each and a balloon installment of \$18,915 payable together with the last installment by June 30, 2019. The first repayment installment was repaid on September 30, 2017. The loan bears interest at LIBOR plus a margin of 3%.

On May 10, 2016, the Company, through one wholly-owned subsidiary, entered into a term loan agreement with DNB Bank ASA and the Export-Import Bank of China for a loan of \$13,510, drawn on the same date, being the purchase price of the *Maera*. The loan is payable in seven equal consecutive quarterly installments of about \$20 each, four equal consecutive quarterly installments of about \$283 and a balloon of about \$12,242 payable together with the last installment on January 4, 2019. The loan bears interest at LIBOR plus a margin of 3% per annum. According to the terms of the loan agreement, the Company will prepay an additional amount of \$289 in the first quarter of 2018, which will be deducted from the balloon, and which is included in "Current portion of long term debt, net of deferred financing costs, current".

Under the secured term loans outstanding as of December 31, 2017, 46 vessels of the Company's fleet are mortgaged with first preferred or priority ship mortgages, having an aggregate carrying value of \$968,083. Additional securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts that exceed a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by DSI (the "Guarantor") or a guarantee by the ship owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the guarantor, maintained in the bank accounts of the borrowers, or the guarantor. As at December 31, 2017 and 2016, the restricted cash, which relates to minimum cash deposits required to be maintained at all times under the Company's loan facilities, amounted to \$25,000 and \$23,000, respectively and is included in "Restricted cash" in the accompanying consolidated balance sheets. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends following the occurrence of an event of default.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

As at December 31, 2017, the Company was in compliance with all of its loan covenants.

As at December 31, 2016, the Company was not in compliance with the minimum security cover requirement of its loan agreement with BNP Paribas dated July 22, 2015. The shortfall was estimated by the Company to be \$25,650 and an amount of \$19,731, representing the amount which would have to be paid to the bank, was reclassified from non-current debt to the "Current portion of long-term debt, net of deferred financing costs, current" in the 2016 accompanying consolidated balance sheet.

The maturities of the Company's debt facilities described above, as at December 31, 2017, and throughout their term, are shown in the table below. The table does not include the right of each of the lenders of a secured term loan to demand prepayment of their advance in August 2019 of the then outstanding balance of such advance, subject to a written notification:

Period	Principal Repayment
January 1, 2018 to December 31, 2018	\$ 62,059
January 1, 2019 to December 31, 2019	119,342
January 1, 2020 to December 31, 2020	183,132
January 1, 2021 to December 31, 2021	132,494
January 1, 2022 to December 31, 2022	72,468
January 1, 2023 and thereafter	35,298
Total	\$ 604,793

8. Commitments and Contingencies

- a) Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. The Company accrues for the cost of environmental and other liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure.

The Company's vessels are covered for pollution in the amount of \$1 billion per vessel per incident, by the P&I Association in which the Company's vessels are entered. 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. During 2016, the Company was notified by one of its P&I Clubs of supplemental calls with respect to the 2015 policy year which however were immaterial and were expensed in the 2016 consolidated statement of operations.

- b) Pursuant to the loan agreement with Diana Containerships Inc. dated June 30, 2017 (Note 4(b)), Diana Containerships is required to pay, on the termination date of the loan, an additional \$5,000 interest-bearing discount premium, which is not included in Due from related parties in the accompanying 2017 balance sheet.
- c) As at December 31, 2017, all of the Company's vessels were fixed under time charter agreements. The minimum contractual gross charter revenue expected to be generated from fixed and non-cancelable time charter contracts existing as at December 31, 2017 and until their expiration was as follows:

Period	Amount
Year 1	\$ 95,851
Year 2	10,129
Total	\$ 105,980

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

9. Capital Stock and Changes in Capital Accounts

- (a) **Preferred stock:** As at December 31, 2017 and 2016, the Company's authorized preferred stock consists of 25,000,000 shares (all in registered form) of preferred stock, par value \$0.01 per share, of which 1,000,000 are designated as Series A Participating Preferred Shares and 5,000,000 are designated as Series B Preferred Shares.

As at December 31, 2017 and 2016, the Company had 2,600,000 Series B Preferred Shares issued and outstanding with par value \$0.01 per share, at \$25.00 per share and with liquidation preference at \$25.00 per share and zero Series A Participating Preferred Shares issued and outstanding. Holders of series B preferred shares have no voting rights other than the ability, subject to certain exceptions, to elect one director if dividends for six quarterly dividend periods (whether or not consecutive) are in arrears and certain other limited protective voting rights. Also, holders of series B preferred shares, rank prior to the holders of common shares with respect to dividends, distributions and payments upon liquidation.

Dividends on the Series B preferred shares are cumulative from the date of original issue and are payable on the 15th day of January, April, July and October of each year at the dividend rate of 8.875% per annum, or \$2.21875 per share per annum. For 2017, 2016, and 2015, dividends on Series B preferred shares amounted to \$5,769. At any time on or after February 14, 2019, the Company may redeem, in whole or in part, the series B preferred shares at a redemption price of \$25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared.

- (b) **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. 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.
- (c) **Offering of common shares:** On April 26, 2017, the Company issued a total 20,125,000 common shares, at a price of \$4.00 per share, in a public offering. As part of the offering, entities affiliated with Simeon Palios, the Company's Chief Executive Officer and Chairman, executive officers and certain directors, purchased an aggregate of 5,500,000 common shares at the public offering price. The net proceeds from the offering after underwriting discounts and other offering expenses were \$77,311.
- (d) **Incentive plan:** In November 2014, the Company's board of directors approved to adopt the 2014 Equity Incentive Plan, for 5,000,000 shares, of which as at December 31, 2017, 2,924,759 remained reserved for issuance.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

Restricted stock during 2017, 2016 and 2015 is analysed as follows:

	Number of Shares	Weighted Average Grant Date Price
Outstanding at December 31, 2014	2,491,834	\$ 9.30
Granted	1,100,000	6.91
Vested	(827,522)	9.57
Outstanding at December 31, 2015	2,764,312	\$ 8.27
Granted	2,150,000	2.26
Vested	(971,646)	8.67
Outstanding at December 31, 2016	3,942,666	\$ 4.89
Granted	1,310,000	3.95
Vested	(1,611,549)	5.46
Outstanding at December 31, 2017	3,641,117	\$ 4.30

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. On May 11, 2017, after the resignation of one board member, the total amount of his unvested shares up to that date became vested at a compensation cost of \$662. For 2017, 2016, and 2015, an amount of \$8,232, \$8,313, and \$8,279, respectively, was recognized in "General and administrative expenses" presented in the accompanying consolidated statements of operations.

At December 31, 2017 and 2016, the total unrecognized cost relating to restricted share awards was \$10,509 and \$13,567, respectively. At December 31, 2017, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 0.97 years.

(e) *Share Repurchase Agreement:* On May 22, 2014, the Company's Board of Directors authorized a share repurchase plan for up to \$100,000 worth of shares of the Company's common stock. During 2015, the Company repurchased and retired 413,804 shares at an aggregate cost of approximately \$2,673 and none during 2016 and 2017.

10. Interest and Finance Costs

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

	2017	2016	2015
Interest expense	\$ 24,978	\$ 19,523	\$ 13,922
Amortization of financing costs	1,455	1,503	1,364
Commitment fees and other costs	195	923	269
Total	\$ 26,628	\$ 21,949	\$ 15,555

Total interest on long-term debt for 2017, 2016 and 2015 amounted to \$24,991, \$21,009, and \$14,622, respectively, of which \$13, \$1,486, and \$700, respectively, were capitalized and included "Vessels, net book value", in the accompanying consolidated balance sheets.

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

11. Loss per Share

All common shares issued (including the restricted shares issued under the Company's incentive plans) are the Company's common stock and have equal rights to vote and participate in dividends 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 the 2017, 2016 and 2015 and on the basis that the Company incurred losses, the effect of incremental shares would be anti-dilutive and therefore basic and diluted loss per share was the same.

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

	2017	2016	2015
Net loss	\$ (511,714)	\$ (164,237)	\$ (64,713)
Less dividends on series B preferred shares	\$ (5,769)	\$ (5,769)	\$ (5,769)
Net loss attributed to common stockholders	<u>(517,483)</u>	<u>(170,006)</u>	<u>(70,482)</u>
Weighted average number of common shares, basic and diluted	<u>95,731,093</u>	<u>80,441,517</u>	<u>79,518,009</u>
Loss per share, basic and diluted	<u>\$ (5.41)</u>	<u>\$ (2.11)</u>	<u>\$ (0.89)</u>

12. 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.

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").

DIANA SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

The Company and each of its subsidiaries expects to qualify for this statutory tax exemption for the 2017, 2016 and 2015 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 2017, 2016 and 2015, the Company would be subject to U.S. federal income tax of approximately \$136, \$80 and \$166, respectively, in the absence of an exemption under Section 883.

13. Financial Instruments and Fair Value Disclosures

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair values of long-term bank loans approximate the recorded values, due to their variable interest rates. The fair value of long-term loan receivable from Diana Containerships also approximates its recorded value, due to its variable interest rate. The fair value of the Senior Unsecured Notes (Note 7) having a fixed interest rate amounted to \$64,970 as of December 31, 2017, and was determined through the Level 1 input of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements based on the quoted price of the instrument on that date as stated under the ticker Symbol "DSXN" on the NYSE.

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. Currently, the company does not have any derivative instruments to manage such fluctuations.

14. Subsequent Events

- a) **Series B Preferred Stock Dividends:** On January 16, 2018, the Company paid a dividend on its series B preferred stock, amounting to \$0.5546875 per share, or \$1,442, to its stockholders of record as of January 12, 2018.
- b) **Annual Incentive Bonus:** On February 21, 2018 the Company's Board of Directors approved the grant of 1,800,000 shares of restricted common stock awards to executive management and non-executive directors, pursuant to the Company's 2014 equity incentive plan. The fair value of the restricted shares based on the closing price on the date of the Board of Directors' approval was about \$6,876 and will be recognized in income ratably over the restricted shares vesting period which will be 3 years.
- c) **Loan Prepayment:** On March 12, 2018 the Company received an amount of \$8,379 as partial prepayment under the loan with Diana Containerships, decreasing the loan receivable to \$74,238 (Note 4(b)).

STEAMSHIP SHIPBROKING ENTERPRISES INC.

THIS AGREEMENT dated this 1st day of April 2017 by and between Diana Shipping Inc., a Marshall Islands company having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Company") and Steamship Shipbroking Enterprises Inc. a Marshall Islands company having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Broker").

BY WHICH, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

- 1. The Company.** Diana Shipping Inc. is a leading global provider of shipping transportation services through its ownership of dry bulk vessels. The Company's vessels are employed primarily on medium to long-term time charters and transport a range of dry bulk cargoes, including such commodities as iron ore, coal, grain and other materials along worldwide shipping routes.
 - 2. Engagement.** The Company hereby engages the Broker to act as broker for the Company and for any of its affiliated companies that own vessels managed by Diana Shipping Services S.A. as directed by the Company to assist the Company in the provision of the Services by providing to the Company or to an entity designated by the Company from time to time, brokerage services relating to the purchase, sale or chartering of vessels, brokerage services relating to the repairs and other maintenance of vessels, and any relevant consulting services permitted by Greek laws or the Broker's Law 27/1975 license (collectively the "Brokerage Services"), and the Broker hereby accepts such appointment.
 - 3. Duration.** The duration of the engagement shall be for a term of twelve (12) months commencing the day of April 2017 and ending (unless terminated earlier on the basis of any other provision of this Agreement) on the 31st day of March 2018 (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 \$150,000 per month,
-

starting on the 1st day of April 2017 payable quarterly in advance, subject to required deductions and withholdings. Commissions on a percentage basis for specific deals may be agreed by separate agreements in writing.

6. Expenses. The Company shall not pay or reimburse the Broker for any out-of-pocket expenses as such expenses are included in the commission paid to the Broker.

7. Termination. This Agreement, unless otherwise agreed in writing between the parties, shall be terminated as follows:

- (a) At the end of the Term, unless extended by mutual agreement in writing.
- (b) The parties, by mutual agreement, may terminate this Agreement at any time.
- (c) Either party may terminate this Agreement for any material breach by the other party of their respective obligations under this Agreement.

8. Change of Control.

(a) In the event of a "Change in Control" (as defined herein) within the duration of this Agreement, the Broker has the option to terminate this Agreement within six (6) months following such Change in Control, and shall be eligible to receive the payment specified in sub-paragraph (c), below, provided that the conditions of said paragraph are satisfied.

(b) For purposes of this Agreement, the term "Change of Control" shall mean the:

- (i) acquisition by any individual, entity or group of beneficial ownership of twenty-five percent (25%) or more of either (A) the then-outstanding shares of common stock of the Company (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in, the election of directors; provided, however, that this Clause 8(b)(i) shall not apply to an individual, entity or group that beneficially owns twenty-five percent (25%) or more as of the date the Company's common shares are approved for listing on the NYSE.
 - (ii) consummation of a reorganization, merger or consolidation of the Company or the sale or other disposition of all or substantially all of the assets of the Company and/or of the Affiliates; or
 - (iii) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.
-

(c) If the Broker terminates this Agreement within six (6) months following a Change of Control, the Broker shall receive a payment equal to five (5) years' annual commission. Receipt of the foregoing shall be contingent upon the Broker's execution and non-revocation of a Release of Claims in favor of the Company and the Affiliates in a form that is reasonably satisfactory to the Company and its counsel.

9. Notices. Every notice, request, demand or other communication under this Agreement shall:

(a) be in writing delivered personally or by courier or by fax or shall be served through a process server;

(b) be deemed to have been received, subject as otherwise provided in this Agreement in the case of fax upon receipt of a successful transmission report (or — if sent after business hours — the following business day) and in the case of a letter when delivered personally or through courier or served at the address below; and

(c) be sent:

(i) If to the Company, to:
c/o Diana Shipping Services S.A.
Pendelis 16, Palaio Faliro, 175 64
Athens, Greece
Telephone: +30 210 9470000
Telefax: +30 210 9424975
Ann: Director and President

(ii) If to the Broker, to:
c/o Steamship Shipbroking Enterprises Inc.
Ymittou 6, Palaio Faliro, 175 64
Athens, Greece
Telephone: +30 210 9485360
Telefax: +30 210 9401810
Attn: Director and President

or to such other person, address or telefax, as is notified by the relevant Party to the other Party to this Agreement and such notification shall not become effective until notice of such change is actually received by the other Party. Until such change of person or address is notified, any notification to the above addresses and fax numbers are agreed to be validly effected for the purposes of this Agreement.

10. Entire Agreement. This Agreement supersedes all prior agreements written or

oral, with respect thereto.

11. Amendments. This Agreement may be amended, superseded, canceled, renewed or extended and the terms hereof may be waived, only by a written instrument signed by the parties.

12. Independent Contractor. All services provided hereunder shall be provided by the Broker as an independent contractor. No employment contract, partnership or joint venture between the Broker and the Company has been created in or by this Agreement or as a result of services provided hereunder.

13. Assignment. This Agreement, and the Broker's rights and obligations hereunder, may not be assigned by the Broker; any purported assignment in violation hereof shall be null and void. This Agreement, and the Company's rights and obligations hereunder, may not be assigned by the Company; provided, however, that in the event of any sale, transfer or other disposition of all or substantially all of the Company's assets and business, whether by merger, consolidation or otherwise, the Company shall assign this Agreement and its rights hereunder to the successor to its assets and business.

14. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representative.

15. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

16. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

17. Governing Law and Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with English Law.

(b) Any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this clause.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day

and year first above written.

DIANA SHIPPING INC.

/s/ Simeon Palios

By: Simeon Palios

Title: Director, Chief Executive Officer and Chairman of the Board

STEAMSHIP SHIPBROKING ENTERPRISES INC.

/s/ Andreas Nikolaos Michalopoulos

By: Andreas Nikolaos Michalopoulos

Title: Director and Secretary

May 30, 2017

**FIFTH AMENDMENT TO
LOAN AGREEMENT**

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

by and between

DIANA SHIPPING INC.
as Lender

- and -

KAPA SHIPPING COMPANY INC.
as Borrower

- and -

DIANA CONTAINERSHIPS INC.
as Guarantor

This AMENDMENT (the "Amendment") dated as of May 30, 2017 to that certain loan agreement dated as of May 20, 2013, as amended on July 28, 2014 and further amended on September 9, 2015, December 3, 2015 and September 12, 2016 (the "Agreement"), is made on May 30, 2017.

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) KAPA 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.

Unless otherwise indicated, capitalized terms used in this Amendment are used with the meanings attributed thereto in the Agreement.

WHEREAS, on May 30, 2017, the Guarantor issued 100 shares of its newly-designated Series C Preferred Stock, par value \$0.01 per share (the "**Preferred Shares**"), to the Lender;

WHEREAS, the parties wish to amend the Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the issuance of the Preferred Shares and the premises and mutual agreements herein contained, the parties hereto hereby agree as follows:

- (A) Reduction of Principal Amount. Notwithstanding any other provision contained in the Agreement, effective as of May 30, 2017, the aggregate amount of all Advances outstanding shall be deemed to be reduced by Three Million United States Dollars (US\$3,000,000).
 - (G) Confirmation of Agreement. Except as expressly set forth herein, the Agreement is ratified and confirmed in all respects and shall remain in full force and effect in accordance with its terms, and each reference in the Agreement to "this Agreement" shall mean the Agreement as amended by this Amendment.
-

- (H) Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts (including by facsimile) and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument. This Amendment shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.
- (I) Governing Law. The laws of the State of New York shall govern the enforceability and validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties, without regard to the principles of conflicts of laws thereof.

[Signature page follows]

THIS AMENDMENT has been entered into on the date stated above

BORROWER

SIGNED by)
Anastasios Margaronis) /s/ Anastasios Margaronis
for and on behalf of)
Kapa Shipping Company Inc.)
in the presence of: Christina Symeonidou) /s/ Christina Symeonidou

GUARANTOR

SIGNED by)
Anastasios Margaronis) /s/ Anastasios Margaronis
for and on behalf of)
Diana Containerships Inc.)
in the presence of: Christina Symeonidou) /s/ Christina Symeonidou

LENDER

SIGNED by)
Ioannis Zafirakis) /s/ Ioannis Zafirakis
for and on behalf of)
Diana Shipping Inc.)
in the presence of: Christina Symeonidou) /s/ Christina Symeonidou

Dated 30 June 2017

Borrower
DIANA CONTAINERSHIPS INC.

Owners
As specified in SCHEDULE 4

Senior Mortgagee
ADDIEWELL LTD

Subordinated Mortgagee
DIANA SHIPPING INC.

INTERCREDITOR AGREEMENT
relating to security for a Term Loan Facility of \$35,000,000 and a Discount Premium Amount of
\$10,000,000 secured, inter alia, on the Ships as specified in Schedule 4.

Contents

Clause		Page
1	Purpose and definitions	1
2	Agreement to Subordinated Security Documents	4
3	Subordinated Mortgagee's undertakings	4
4	Owner's undertaking	9
5	Attorney	9
6	Senior Mortgagee's undertakings	9
7	Adjustment of priorities	11
8	Effect of this Agreement	12
9	Representations	13
10	Costs and expenses	13
11	Notices	14
12	Counterparts	15
13	Partial invalidity	15
14	Remedies and waivers	15
15	Effect as deed	15
16	Governing law	15
17	Enforcement	15
	Schedule 1 Parties and Facility Agreement	17
	Schedule 2 Senior Security Documents	19
	Schedule 3 Subordinated Security Documents	20
	Schedule 4 Owners and Ships	21

THIS INTERCREDITOR AGREEMENT is dated 30 June 2017 and made between:

- (1) **DIANA CONTAINERSHIPS INC.** (the "**Borrower**");
- (2) the entities listed in Schedule 4 (together the "**Owners**");
- (3) **ADDIEWELL LTD** (the "**Senior Mortgagee**") acting in its capacity as agent and as trustee for the Senior Finance Parties; and
- (4) **DIANA SHIPPING INC.** (the "**Subordinated Mortgagee**") acting in its capacity as lender and as agent and as trustee for the Subordinated Finance Parties,

(each as described in more detail in Schedule 1). The Borrower and the Owners are collectively referred to as the Obligors.

NOW IT IS HEREBY AGREED as follows:

1 Purpose and definitions

1.1 Purpose

This Agreement sets out the terms and conditions upon and subject to which the Senior Mortgagee consents to each Obligor granting the Subordinated Security in favour of the Subordinated Mortgagee and to the borrowing by the Borrower of the Subordinated Loan and the incurrence of the Subordinated Discount Premium Amount.

1.2 Definitions

In this Agreement, unless the context otherwise requires:

Business Day means a day (other than a Saturday or Sunday) (i) which is not a public holiday in Athens and (ii) on which banks are open for general business in London, Athens and New York.

Charged Property means all of the assets of the Obligors which from time to time are, or are expressed or intended to be, the subject of the Senior Security Documents.

Discount Premium Amount means the amount of \$10,000,000 payable to the Senior Mortgagee pursuant to the Senior Facility Agreement.

Distribution means any payment by or distribution of assets of any Obligor whether in cash, properties, securities or otherwise.

Initial Permitted Payments Period means the period prior to the occurrence of (i) an Insolvency Event in relation to any Obligor, (ii) a demand by the Senior Mortgagee on the Borrower for the repayment in full of the Senior Loan or the Premium Discount Amount or (iii) the Termination Date as defined in the Senior Facility Agreement.

Insolvency Event means, in relation to any Obligor:

- (a) any resolution is passed or order made for the winding up, dissolution, administration or reorganisation of that Obligor, a moratorium is declared in relation to any indebtedness of that Obligor or an administrator is appointed to that Obligor;
- (b) any composition, compromise, assignment or arrangement is made with any of its creditors;

- (c) the appointment of any liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that Obligor or any of its assets; or
- (d) any filing by an Obligor with any Court or public body seeking, or the effect of which is, protection of such Obligor from the claims of its creditors;
- (e) any analogous procedure or step is taken in any jurisdiction.

Joint Security Period means the period terminating upon the earlier of the end of the Senior Security Period and the end of the Subordinated Security Period.

Mortgagee means the Senior Mortgagee or the Subordinated Mortgagee.

Permitted Payments means the payments to the Subordinated Mortgagee permitted to be made in accordance with clause 3.1 and clause 3.2(a).

Prior Claims means, in relation to any Security Proceeds, any claims, liabilities or debts owed or incurred to any persons which take priority in respect of such Security Proceeds over the security created by the Security Documents.

Proceeds means the proceeds (net of usual commissions and direct collection expenses) of (i) the disposal of any Ship, (ii) the disposal of any other asset of the Borrower and/or the Obligors, (iii) the sale of, realisation or proceeds of warrants of the Borrower, (v) the sale of shares in the Borrower (vi) the disposal of any of the shares of the Owners and (vii) the proceeds of Total Loss of any Ship.

Relevant Jurisdiction means, in relation to a party to this Agreement:

- (a) its jurisdiction of incorporation;
- (b) any jurisdiction where any Charged Property owned by it is situated;
- (c) (except in the case of a Mortgagee) any jurisdiction where it conducts its business; and
- (d) any jurisdiction whose laws govern the perfection of any security created by it under the Security Documents.

Refinancing Proceeds means the proceeds of any refinancing of the Borrower and/or the Guarantors by a third party financial institution or investor for the purpose of repaying the Senior Loan and the Discount Premium Amount.

Security Documents means any or all of the Senior Security Documents and any or all of the Subordinated Security Documents.

Security Proceeds means any moneys received by a Mortgagee pursuant to the exercise of any of its rights under the Security Documents in its favour.

Senior Facility Agreement means the facility agreement described as such in Schedule 1.

Senior Facility Limit means the maximum amount available for drawing under the Senior Facility Agreement on the date of this Agreement.

Senior Finance Documents means the Senior Facility Agreement and/or the Senior Security Documents.

Senior Finance Parties means the Finance Parties (as defined in the Senior Facility Agreement) and **Senior Finance Party** means any of them.

Senior Indebtedness means the indebtedness secured by the Senior Security Documents including, without limitation, the Senior Loan and the Discount Premium Amount.

Senior Loan means the loan of \$35,000,000 payable pursuant to the Senior Loan Agreement.

Senior Security Documents means the documents specified in Schedule 2.

Senior Security Period means the period terminating upon the full payment and discharge of the Senior Indebtedness.

Ship means each vessel defined in Schedule 4.

Subordinated Discount Premium Amount means the amount of \$5,000,000 payable to the Subordinated Mortgagee pursuant to the Subordinated Facility Agreement.

Subordinated Facility Agreement means the facility agreement described as such in Schedule 1.

Subordinated Finance Documents means the Subordinated Facility Agreement and the Subordinated Security Documents.

Subordinated Finance Parties means the Finance Parties (as defined in the Subordinated Facility Agreement) and **Subordinated Finance Party** means any of them.

Subordinated Indebtedness means the indebtedness owing to the Subordinated Mortgagee under any Subordinated Finance Documents and/or secured by the Subordinated Security Documents.

Subordinated Loan means the Loan of \$82,616,666.66 pursuant to the Subordinated Facility Agreement.

Subordinated Security Documents means the documents specified in Schedule 3.

Subordinated Security Period means the period terminating upon the full payment and discharge of the Subordinated Indebtedness.

1.3 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
 - (i) clauses and the Schedules are to be construed as references to the clauses of, and the Schedules to, this Agreement and references to this Agreement include its Schedules;
 - (ii) any agreement or instrument is a reference to that agreement or instrument as it may from time to time be amended, restated, novated or replaced, however fundamentally;
 - (iii) words importing the plural shall include the singular and vice versa;
 - (iv) any person includes its successors in title, permitted assignees or transferees;
 - (v) **agreed form** of a document means the form of a document separately approved in writing by the Senior Mortgagee;
 - (vi) **assets** includes present and future properties, revenues and rights of every description;

- (vii) an **authorisation** means any authorisation, consent, concession, approval, resolution, licence, exemption, filing, notarisation or registration;
 - (viii) **dollar/\$** means the lawful currency of the United States of America;
 - (ix) **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (x) an **obligation** means any duty, obligation or liability of any kind;
 - (xi) a **person** includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
 - (xii) **right** means any right, privilege, power or remedy, any proprietary interest in any asset and any other interest or remedy of any kind, whether actual or contingent, present or future, arising under contract or law, or in equity or in admiralty;
 - (xiii) **security** means a mortgage, charge, pledge, lien, assignment, trust, hypothecation or other security interest of any kind securing any obligation of any person or any other agreement or arrangement having a similar effect; and
 - (xiv) a provision of law is a reference to that provision as amended or re-enacted.
- (b) Where in this Agreement a provision includes a monetary reference level in one currency, unless a contrary indication appears, such reference level is intended to apply equally to its equivalent in other currencies as of the relevant time for the purposes of applying such reference level to any other currencies.
- (c) Clause and Schedule headings are for ease of reference only.

1.4 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 (the **Third Parties Act**) to enforce or to enjoy the benefit of any term of this Agreement.

2 Agreement to Subordinated Security Documents

The Senior Mortgagee, at the request of the Obligors and the Subordinated Mortgagee, consents and agrees (subject to the Senior Security Documents having first been executed and (in relation to each ship mortgage specified in Schedule 2, registered with any applicable ship registry in accordance with the Senior Facility Agreement)) to:

- (a) the advance by the Subordinated Mortgagee of the Subordinated Loans and the incurrence of the Subordinated Discount Premium Amount;
- (b) the execution of the Subordinated Security Documents in favour of the Subordinated Mortgagee; and
- (c) the registration of any Subordinated Security Document with the applicable ship registry.

3 Subordinated Mortgagee's undertakings

The Subordinated Mortgagee agrees to the terms of this clause 3 and undertakes to comply with those terms throughout the Joint Security Period.

3.1 Payments Permitted to Subordinated Mortgagee

- (a) The Borrower, the Owner and the Subordinated Mortgagee agree with the Senior Mortgagee that during the Initial Permitted Payments Period, the Subordinated Mortgagee may receive and accept payment of interest on the Subordinated Loans and the Subordinated Discount Premium Amount payable at the times and in the amounts provided in the Subordinated Finance Documents provided that (i) the Borrower has freely available cash to do so without diminishing the necessary working capital for the secure trading of the Ships, and (ii) no such payment is made out of Proceeds or Refinancing Proceeds.
- (b) In addition during the Initial Permitted Payment Period and at any time after the repayment in full of the Senior Loan, the Subordinated Mortgagee may receive and accept payment of principal of Subordinated Loan up to the first \$40 million out of the Proceeds or derived from any other source permitted under the Senior Facility Agreement.
- (c) In the case of Refinancing Proceeds, such amounts may be applied in payment of Subordinated Liabilities only after payment in full of the Senior Loan and the Discount Premium Amount.
- (d) No part of Subordinated Loan (beyond the first \$40 million of the principal pursuant to clause (b) above or Subordinated Discount Premium Amount may be repaid or prepaid at any time prior to the payment in full to the Senior Mortgagee of the Discount Premium Amount.
- (e) If during the Initial Permitted Payment Period the Senior Loan has been paid in full and the Discount Premium Amount has been paid in full there shall be no further restrictions on payments to the Subordinated Mortgagee.

3.2 Subordination of the Subordinated Security Documents

- (a) Following repayment of the Senior Loan in full (together with all accrued interest and costs) and after the expiry or termination of the Initial Permitted Payment Period, the Senior Mortgagee agrees that any monies thereafter available to the Senior Mortgagee or the Subordinated Mortgagee for application against the Senior Indebtedness and/or the Subordinated Indebtedness (other than Refinancing Proceeds which shall be the subject to clause 3.1(c) before and after the expiry of the Initial Permitted Payments Period) shall be shared equally (50/50 basis) between the Discount Premium Amount and the Subordinated Loan until such time as the Discount Premium Amount (together with all accrued interest and costs) has been repaid in full.
- (b) Save as provided in clause 3.1 and clause 3.2(a), the security created by the Subordinated Security Documents in relation to the Charged Property shall be in all respects subordinate to, and rank in priority subsequent to, the security created by the Senior Security Documents.

3.3 Limitations on enforcement; deferral undertakings

Without prejudice to the Permitted Payments, the Subordinated Mortgagee will not, without the prior written consent of the Senior Mortgagee:

- (a) Subject to clause 3.1 (*Payments Permitted to Subordinated Mortgagee*), clause 3.2(a) and clause 3.4 (*Permitted protective enforcement*), take any action to enforce any claim or seek to exercise any rights which the Subordinated Mortgagee has against any Obligor and/or the Charged Property or any part of it under the Subordinated Security Documents (unless and to the extent that the Senior Mortgagee has taken action to enforce its rights under the Senior Security Documents against that Obligor and/or the Charged Property or relevant part of it and continues to do so); or

- (b) directly or indirectly:
 - (i) take, accept or receive from any Obligor or permit to exist any Security Interest created by any Obligor (other than as constituted by the Subordinated Security Documents or otherwise described in the Subordinated Facility Agreement on the date of this Agreement) to secure the payment and/or repayment of any of the Subordinated Indebtedness;
 - (ii) take, accept or receive any Distribution from the Owner or any other Obligor or any other person liable for any of the Senior Indebtedness;
 - (iii) (save only to the extent it may be required to do so under any applicable law) set-off any Subordinated Indebtedness against any obligations or liabilities of any kind, future or present, owing or payable by the Subordinated Mortgagee to any Obligor; or
 - (iv) subject to clause 3.4 (*Permitted protective enforcement*), commence any proceedings against the Owner or any other Obligor or take any action, for or in respect of the recovery of any of the Subordinated Indebtedness or any part thereof (including, without limitation, any action or step in connection with liquidation, administration, winding-up proceedings or any voluntary arrangement or assignment for the benefit of the Subordinated Mortgagee or any similar proceedings involving the Owner, any other Obligor or the Charged Property or any part thereof).

3.4 Permitted protective enforcement

- (a) Notwithstanding clause 3.3 (*Limitations on enforcement; deferral undertakings*), the Subordinated Mortgagee may join or intervene in or otherwise support any proceedings brought by any other person arising from or relating to the arrest or detention of a Ship (whether at the instance of the Senior Mortgagee or any other person other than the Subordinated Mortgagee) with a view to substantiating, preserving or protecting its interest in such Ship.
- (b) If the Subordinated Mortgagee takes such action, it will:
 - (i) promptly notify the Senior Mortgagee of the action taken; and
 - (ii) when required by the Senior Mortgagee to do so, withdraw from such proceedings or take whatever other action may be necessary on its part to release such Ship from such arrest or detention where the Senior Mortgagee and any other interested party also withdraw from such proceedings or take the necessary action on their part to release such Ship.

3.5 Prejudicial arrangements

The Subordinated Mortgagee has not entered into, and will not enter into, any arrangement or any transaction which prejudices or may prejudice the Senior Mortgagee and/or the other Senior Finance Parties and/or the security created by the Senior Security Documents.

3.6 Notices of assignment

The Subordinated Mortgagee will not give any notice of any assignment contained in any of the Subordinated Security Documents to any person unless the form of the notice has been approved by the Senior Mortgagee and the notice states that such assignment is subject and subordinate to the prior assignments given in the Senior Security Documents.

3.7 Loss payable clauses and letters of undertaking

The Subordinated Mortgagee will ensure that the terms of any loss payable clause endorsed on any insurance or reinsurance policy or entry pursuant to the Subordinated Finance Documents and any letter of undertaking issued by any broker, insurer, reinsurer or mutual insurance association issued in accordance with their provisions reflect and acknowledge the senior priority of the Senior Security Documents and are not inconsistent with the terms of this Agreement and the Senior Security Documents concerning payments of insurance and/or reinsurance claims to the Senior Mortgagee. Any loss payable clause which has already been disclosed in writing to, and approved in writing by, the Senior Mortgagee on or prior to the date of this Agreement shall be deemed to be consistent with the requirements of this clause.

3.8 Filings

The Subordinated Mortgagee will promptly take such other action as the Senior Mortgagee may request with a view to reflecting the priority of the security created by the Security Documents in any official register or with any filing or registration authority.

3.9 Notice of enforceability

The Subordinated Mortgagee will promptly advise the Senior Mortgagee of any event or circumstance which would (with the giving of notice, the expiry of a grace period, the making of any determination under the Subordinated Finance Documents or any combination of them) entitle the Subordinated Mortgagee (but for the provisions of this Agreement) to enforce any of the security created by the Subordinated Security Documents and/or to require immediate repayment and/or cancellation of the facility provided under the Subordinated Facility Agreement.

3.10 Deemed consents

Where:

- (a) something requires the consent or approval of the Subordinated Mortgagee under the Subordinated Finance Documents; and
- (b) the same thing requires the consent or approval of the Senior Mortgagee and/or any other Senior Finance Party under the Senior Finance Documents,

then, if the relevant consent or approval is given under the Senior Finance Documents, it shall be deemed also to have been given under the Subordinated Finance Documents. The Subordinated Mortgagee will, promptly upon the Senior Mortgagee's request, issue such waivers as the Senior Mortgagee may reasonably require to give effect to this clause as against any relevant Obligor who is not a party to this Agreement.

The Subordinated Mortgagee has not and will not require any Obligor to seek its consent to any matter for which the consent of the Senior Mortgagee is not also required under the Senior Loan Documents.

3.11 Release of security on sale

If the Senior Mortgagee wishes to sell a Ship, in exercise of its rights pursuant to the Senior Security Documents, whether in its capacity as mortgagee of the Ship or as attorney-in-fact of the Owner, then (whether or not the Security Proceeds resulting from such sale are or will be (after meeting any Prior Claims) sufficient to discharge the Subordinated Indebtedness after discharging the Senior Indebtedness in accordance with clause 7.1) the Subordinated Mortgagee will:

- (a) take all such steps as may be necessary to consent to, ratify and confirm, such sale;

- (b) co-operate with the Senior Mortgagee for the purpose of carrying out such sale; and
- (c) as soon as practicable but not later than two (2) Business Days upon being requested by the Senior Mortgagee to do so, execute any discharges and/or reassignments and/or notices of discharge and/or notices of reassignment as may be necessary to allow the sale to take place free of any security created by the Subordinated Security Documents.

3.12 Assignments by Subordinated Mortgagee

The Subordinated Mortgagee will not assign or otherwise transfer, or grant security over, its rights under the Subordinated Security Documents to another person unless the relevant person has first undertaken (in a form satisfactory to the Senior Mortgagee) that, on any such assignment, transfer or grant taking place, it will comply with, and be bound by and perform, all the obligations of the Subordinated Mortgagee under this Agreement. Any purported assignment by the Subordinated Mortgagee in breach of this provision shall be invalid and ineffective.

3.13 Variations to Subordinated Security Documents

The Subordinated Mortgagee will not, without the prior written consent of the Senior Mortgagee, amend, vary, modify or excuse performance of the terms of the repayment of principal of, or the payment of interest on, the loan made available pursuant to the Subordinated Facility Agreement. For the avoidance of doubt, and notwithstanding anything to the contrary in this Agreement, the Subordinated Mortgagee shall not in any way be restricted from excusing, or extending time for, performance by the Obligors of, any obligation under the Subordinated Finance Documents

3.14 Freedom to enforce Senior Security Documents

The Senior Mortgagee may at any time, without prior consultation with the Subordinated Mortgagee, take any action to enforce any claim or seek to exercise any rights or security it has pursuant to the Senior Security Documents or refrain from doing so.

3.15 Freedom to vary Senior Finance Documents

Subject to clause 6 (*Senior Mortgagee's undertakings*), the Subordinated Mortgagee agrees that:

- (a) the Senior Mortgagee and/or any other Senior Finance Party may, whenever it wishes and without prior consultation with the Subordinated Mortgagee, agree with any Obligor to vary any of the Senior Finance Documents;
- (b) documents implementing or recording such a variation will for the purposes of this Agreement be considered to be an integral part of the Senior Security Documents and to rank in priority to the relevant Subordinated Security Documents; and
- (c) the Subordinated Mortgagee will promptly enter into such documents as the Senior Mortgagee may require to maintain or confer such priority.

3.16 Subordination

The Subordinated Mortgagee agrees and undertakes with the Senior Mortgagee that save for the Permitted Payments:

- (a) the claims of the Subordinated Mortgagee against such Obligor in respect of the Subordinated Indebtedness shall be postponed in all respects to the Senior Indebtedness;
- (b) the Subordinated Mortgagee shall not, unless otherwise directed by the Senior Mortgagee, prove for the Subordinated Indebtedness against such Obligor until the Senior Indebtedness

has first been paid or discharged in full (and for all purposes any Distribution received by the Senior Mortgagee or the other Senior Finance Parties shall only be taken to discharge the Senior Indebtedness to the extent of the actual amount received); and

- (c) if the Subordinated Mortgagee is directed by the Senior Mortgagee to prove for the Subordinated Indebtedness then it shall act in accordance with such directions and shall procure that any resultant payments shall be made by the liquidator of such Obligor, or any other person making any Distribution, to the Senior Mortgagee and the other Senior Finance Parties to the extent necessary to repay all the Senior Indebtedness in full.

4 Owner's undertaking

Each Obligor:

- (a) acknowledges that it has requested the Senior Mortgagee to enter into this Agreement;
- (b) accordingly consents to this Agreement and its implementation;
- (c) undertakes to the Senior Mortgagee to do anything and execute any documents which the Senior Mortgagee may at any time reasonably require to implement the terms of this Agreement; and
- (d) agrees not to make or permit to be made any payment to the Subordinated Mortgagee or the granting of any security interest in breach of the terms of this Agreement.

5 Attorney

5.1 Grant of power

The Subordinated Mortgagee irrevocably appoints the Senior Mortgagee to be its attorney (with full powers of substitution) in its name and on its behalf to do all things which the Senior Mortgagee may consider necessary or desirable to ensure the Subordinated Mortgagee's compliance with its obligations under this Agreement until the end of the Senior Security Period whereupon this appointment shall cease.

5.2 Exercise of power

The exercise by the Senior Mortgagee of any power under the power of attorney in clause 5.1 (*Grant of power*) shall be conclusive evidence of the Senior Mortgagee's right to exercise it and no person dealing with the Senior Mortgagee shall need to enquire whether it is, or shall be affected by notice that it is not, exercisable. The Subordinated Mortgagee ratifies and confirms whatever the Senior Mortgagee does or purports to do under clause 5.1 (*Grant of power*).

6 Senior Mortgagee's undertakings

The Senior Mortgagee agrees to the terms of this clause 6 and undertakes on behalf of itself and the other Senior Finance Parties to comply with those terms throughout the Subordinated Security Period.

6.1 Limitation on principal

The Senior Mortgagee represents and agrees that the amount secured by the Senior Security Documents is limited to:

- (a) an amount not exceeding the Senior Facility Limit in respect of the principal amount from time to time secured by the Senior Security Documents; and

- (b) other moneys (including the Discount Premium Amount interest, capitalised interest, costs, fees and expenses from time to time) expressed to be secured by the Senior Security Documents.

6.2 No further advances

The Senior Mortgagee and the other Senior Finance Parties will not make any advances against the security of the Senior Security Documents which would result in the principal amount secured exceeding the Senior Facility Limit or which advances were not provided for in the Senior Facility Agreement as at the date of this Agreement. However, the Senior Mortgagee and the other Senior Finance Parties may agree to vary, or excuse performance of, the terms of the Senior Finance Documents for the repayment of any amounts payable under such documents.

6.3 Calculation of principal

For the purposes of this clause 6 and for determining whether the principal amount secured by the Senior Security Documents exceeds the Senior Facility Limit, the following amounts shall not be regarded as principal:

- (a) any sums (other than fresh advances made under the Senior Facility Agreement) becoming due as a result of any variations to the Senior Finance Documents;
- (b) amounts owing under indemnities in the Senior Finance Documents in respect of taxation, currency and other matters; and
- (c) losses, costs and expenses incurred by the Senior Mortgagee in perfecting and/or protecting the value of and/or maintaining and/or enforcing or realising its security under the Senior Finance Documents.

Such amounts shall be secured by the Senior Security Documents in priority to the Subordinated Security Documents.

6.4 Assignment by Senior Mortgagee

The Senior Mortgagee will not assign or otherwise transfer, or grant security over, its rights under the Senior Security Documents to another person unless the relevant person has first undertaken (in a form satisfactory to the Senior Mortgagee) that, on any such assignment, transfer or grant taking place, it will comply with, and be bound by and perform, all the obligations of the Senior Mortgagee under this Agreement or it will enter into a replacement co-ordination agreement, or equivalent, on substantially the same terms as this Agreement.

6.5 Assignments to Obligors and affiliates

The Senior Mortgagee will not and neither will any other Senior Finance Party without the prior written consent of the Subordinated Mortgagee assign or otherwise transfer, or grant any security over, its rights under the Senior Security Documents to an Obligor.

6.6 Discharge of Senior Security Documents

The Senior Mortgagee will discharge the Senior Security Documents at the end of the Senior Security Period.

7 Adjustment of priorities

7.1 Application

Any Security Proceeds received by a Mortgagee after the expiry or termination of the Initial Permitted Payment Period shall be applied as follows:

- (a) first, in or towards payment of costs and expenses incurred in or about or incidental to the realisation, or attempted realisation, by the Senior Mortgagee of such Security Proceeds (to the extent that such expenses take priority over any Prior Claims);
- (b) secondly, in or towards satisfaction of any Prior Claims in respect of such Security Proceeds;
- (c) thirdly, in or towards payment of, or retention for the Senior Loan and other monies comprised in the Senior Indebtedness (other than the Discount Premium Account);
- (d) fourthly, in or towards payment in accordance with clause 3.2(a) of the Discount Premium Amount and the Subordinated Loan;
- (e) fifthly, in or towards payment of, or retention for, the balance of the Subordinated Indebtedness in the manner and order specified in the Subordinated Finance Documents to the extent that the Subordinated Mortgagee is entitled to receive such Security Proceeds under the Subordinated Security Documents; and
- (f) sixthly, the balance (if any) shall be paid to whoever is entitled to that balance.

7.2 Post-insolvency interest

For the purposes of this clause 7, the sums secured by any of the Security Documents shall include (without limitation) all principal and interest secured by the relevant Security Documents, including any interest accruing under those Security Documents after the institution of any bankruptcy, reorganisation, winding-up or insolvency proceedings or other Insolvency Event by or against any Obligor or any Ship whether or not such interest is allowed as a claim in such proceeding.

7.3 Application of security recoveries

The Subordinated Mortgagee will procure that any Security Proceeds received by the Subordinated Mortgagee and/or any receiver appointed by it under any of the Subordinated Security Documents (other than moneys received from the Senior Mortgagee as a result of the application of such moneys in accordance with clause 7.1 (*Application*)) during the Joint Security Period by way of:

- (a) any Distribution being made to, or a right of set-off of any obligations or liabilities of the Subordinated Mortgagee to any Obligor against the Subordinated Indebtedness being exercised by, the Subordinated Mortgagee or the Obligors contrary to the provisions of this Agreement; and/or
- (b) any Distribution being made by any liquidator or other person to the Subordinated Mortgagee rather than to the Senior Mortgagee or the other Senior Finance Parties as required by clause 3.16; and/or
- (c) the Subordinated Mortgagee or the Obligors or any of them being required to exercise rights of set-off of the obligations or liabilities of the Subordinated Mortgagee to any Obligors, against the Senior Indebtedness under applicable law as contemplated in clause 3.3(b)(iii):

are:

- (i) held in trust for the Senior Mortgagee; and
- (ii) immediately paid to the Senior Mortgagee for application in accordance with clause 7.1 (*Application*).

7.4 Deductions from Security Proceeds

If:

- (a) the Subordinated Mortgagee receives from, or at the direction of, any court or any government, state or agency of a state (or an official or representative of a court or any government, state or agency of a state) any amount which represents only part of the proceeds realised from any property subject to the security created by the Security Documents which remain after satisfying any Prior Claims in respect of such proceeds); or
- (b) the Senior Mortgagee receives all or part of the balance of such remaining proceeds,

then (notwithstanding clause 7.1 (*Application*)) the Subordinated Mortgagee shall only be required to hold such amount on trust and pay it to the Senior Mortgagee in accordance with clause 7.3 (*Application of security recoveries*) if and to the extent that the remaining proceeds paid to the Senior Mortgagee are insufficient to pay and discharge the Senior Indebtedness in full.

8 Effect of this Agreement

8.1 Preservation of security

Nothing contained in this Agreement shall as between the Obligors and:

- (a) the Senior Mortgagee and the other Senior Finance Parties; or
- (b) the Subordinated Mortgagee,

affect or prejudice any rights or remedies of the Senior Mortgagee or any other Senior Finance Party or the Subordinated Mortgagee under the Security Documents. The Security Documents shall remain in full force and effect in accordance with their terms as effective securities subject only to the ranking of the Security Documents provided for in this Agreement.

8.2 No enquiry

No purchaser dealing with either Mortgagee or any receiver appointed by either Mortgagee shall be concerned in any way with the provisions of this Agreement but may assume that such Mortgagee or any such receiver is acting in accordance with this Agreement.

8.3 Waivers

Either Mortgagee shall be entitled, without reference to the other, and without prejudicing its rights under this Agreement, to:

- (a) grant time or indulgence;
- (b) release, compound or otherwise deal with any person liable; or
- (c) deal with, exchange, release, modify or abstain from perfecting or enforcing any of the rights which it has against any Obligor and/or the Charged Property.

9 Representations

Each party to this Agreement makes the representations and warranties set out in this clause 9 to the other parties.

9.1 Status

It is duly incorporated and validly existing under the laws of the jurisdiction of its incorporation as a limited liability company or corporation.

9.2 Binding obligations

The obligations expressed to be assumed by it in this Agreement are legal, valid, binding and enforceable obligations.

9.3 Power and authority

It has power to enter into, perform and deliver and comply with its obligations under, and has taken all necessary action to authorise its entry into, this Agreement.

9.4 Validity and admissibility in evidence

All authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations under this Agreement; and
- (b) to make this Agreement admissible in evidence in each party's Relevant Jurisdictions,

have been obtained or effected and are in full force and effect.

9.5 Governing law and enforcement

The choice of English law or any other applicable law as the governing law of this Agreement will be recognised and enforced in its Relevant Jurisdictions and any judgment obtained in England in relation to a party with respect to this Agreement will be recognised and enforced in its Relevant Jurisdictions.

9.6 Senior Mortgagee as Agent and Bailee for Perfection

Senior Mortgagee agrees to hold following repayment in full of the Loan and the Discount Premium Amount any pledged collateral that is part of the Charged Property (including without limitation any original share certificate) in its possession or control (or in the possession or control of its agents or bailees) as gratuitous bailee and/or gratuitous agent for the benefit of the Subordinated Finance Parties but on the basis that such bailment does not create any legal liability to the Subordinated Finance Parties.

10 Costs and expenses

The Obligors shall promptly on demand pay the Senior Mortgagee the amount of all costs and expenses (including fees, costs and expenses of legal advisers and insurance and other consultants and advisers) incurred by it in connection with the negotiation, preparation, printing, execution, registration and perfection or the enforcement of, or preservation of any rights under this Agreement.

11 Notices

11.1 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.

11.2 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 is that identified with its name in Schedule 1 or, in each case, any substitute address, fax number, or department or officer as that party may notify to the others by not less than five Business Days' notice.

11.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective:
- (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;
- and, if a particular department or officer is specified as part of its address details provided under clause 11.2 (*Addresses*), if addressed to that department or officer.
- (b) Any communication or document to be made or delivered to a Mortgagee will be effective only when actually received by that Mortgagee and then only if it is expressly marked for the attention of the department or officer identified in Schedule 1 (or any substitute department or officer as that party shall specify for this purpose).

11.4 Electronic communication

- (a) Any communication to be made between one Mortgagee and the other Mortgagee under or in connection with this Agreement may be made by electronic mail or other electronic means, and the Mortgagees agree:
- (i) that unless and until notified to the contrary, this is an accepted form of communication between them;
 - (ii) to notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and
 - (iii) to notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Mortgagees will be effective only when actually received in readable form and in the case of any electronic communication made by a Mortgagee to the other Mortgagee only if it is addressed in such a manner as that other Mortgagee shall specify for this purpose.
- (c) Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5:00 p. m. in the place in which the party to whom the relevant communication is

sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.

- (d) Any reference in this Agreement to a communication being sent or received shall be construed to include that communication being made available in accordance with this clause 11.4.

11.5 English language

Any notice given under or in connection with this Agreement must be in English.

12 Counterparts

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

13 Partial invalidity

If, at any time, any provision of this Agreement 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.

14 Remedies and waivers

No failure to exercise, nor any delay in exercising, any right or remedy under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right or remedy 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.

15 Effect as deed

It is intended that this document takes effect as a deed even though each Obligor and the Senior Mortgagee may only execute it under hand.

16 Governing law

This Agreement and any non-contractual obligations connected with this Agreement are governed by English law.

17 Enforcement

17.1 Jurisdiction of English courts

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a **Dispute**).
- (b) The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and, accordingly, that they shall not argue to the contrary.
- (c) This clause 17.1 is for the benefit of the Senior Mortgagee only. As a result, the Senior Mortgagee shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Senior Mortgagee may take concurrent proceedings in any number of jurisdictions.

17.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, each Obligor and the Subordinated Mortgagee:

- (a) irrevocably appoints the person named in Schedule 1 as its agent for service of process in relation to any proceedings before the English courts in connection with this Agreement;
- (b) agrees that failure by an agent for service of process to notify it of the process shall not invalidate the proceedings concerned; and
- (c) if any person appointed as its process agent is unable for any reason to act as agent for service of process, it must immediately (and in any event within ten days of such event taking place) appoint another agent on terms acceptable to the Senior Mortgagee. Failing this, the Senior Mortgagee may appoint another agent for this purpose.

This Agreement has been executed as a deed, and it has been delivered on the date stated at the beginning of this Agreement.

**Schedule 1
Parties and Facility Agreement**

Borrowers

Name	DIANA CONTAINERSHIPS INC.
Country of incorporation:	Marshall Islands
Registered office:	
Process agent:	Nicolaou & Co
Office of process agent:	25 Heath Drive EN6 1EN
Address for service of notices:	Pendelis 16 Paleo Faliro, Athens, Greece
Fax:	+30 210 942 4975
Attention:	Simon Palios
Senior Mortgagee	ADDIEWELL LTD
Country of incorporation:	British Virgin Islands
Registered office:	Addiewell Ltd. Palm Grove House P.O. Box 438 Road Town, Tortola British Virgin Islands
Address for service of notices	As above
Fax:	
Attention:	Attention: Eliyahu Hassett
Senior Facility Agreement	
Description:	A facility agreement dated June 2017.
Original amount of term loan facility:	Up to \$35,000 by way of loan and \$10,000,000 by way of Discount Premium Amount
Parties (inter alios):	
(a) Borrowers:	Diana Containerships Inc.
(b) Guarantor:	As per list of Owners

(b) Lenders:	Addiewell Ltd.
(c) Agent:	Addiewell Ltd as agent of the Senior Finance Parties from time to time
(c) Security Trustee:	Addiewell Ltd as security trustee of the Senior Finance Parties from time to time

Subordinated Mortgage	Diana Shipping Inc.
Country of incorporation:	Marshall Islands

Subordinated Facility Agreement	
Description:	Loan Facility dated June 2017
Amount of facility:	Up to \$87,616,666.66
Parties (inter alios):	
(a) Debtor:	Diana Containerships Inc.
(b) Creditor:	Diana Shipping Inc.

Schedule 2
Senior Security Documents

- 1 A first mortgage over each Ship.
- 2 A first priority deed of assignment of the Insurances and Requisition Compensation in respect of each Ship dated made between the Owner and the Senior Mortgagee.
- 3 Promissory Notes.
- 4 Proceeds Assignment.
- 5 Pledge of Shares in respect of each Owner.

Schedule 3
Subordinated Security Documents

1. A second mortgage over each Ship and executed by the Owner originally in favour of the Subordinated Mortgagee.
2. Each of the deeds of assignment of the Insurances and Requisition Compensation in respect of the Ship made between the Owner and the Subordinated Mortgagee.
3. Promissory Note made in favour of the Subordinated Mortgagee.
4. Proceeds Assignment made in favour of the Subordinated Mortgagee.
5. Pledge of Shares in respect of each Owner made in favour of the Subordinated Mortgagee.

**Schedule 4
Owners and Ships**

- (a) the 3,426 TEU container vessel of 36,087 gross registered tons and IMO No 9401166 named "SAGITTA" and registered in the name of Likiep Shipping Company under Marshall Islands flag; and
- (b) the 3,426 TEU container vessel of 36,087 gross registered tons and IMO No 9401178 named "CENTAURUS" and registered in the name of Orangina Inc under Marshall Islands flag.
- (c) the 4,923 TEU container vessel of 54,828 gross registered tons and IMO No 9387097 named "NEW JERSEY" and registered in the name of Mango Shipping Company Inc. under Marshall Islands flag.
- (d) the 5,042 TEU container vessel of 54,809 gross registered tons and IMO No 9326872 named "PAMINA" and registered in the name of Dud Shipping Company Inc. under Marshall Islands flag.
- (e) the 3,739 TEU container vessel of 40,085 gross registered tons and IMO No 9215672 named "DOMINGO" and registered in the name of Rongerik Shipping Company Inc. under Marshall Islands flag.
- (f) the 6,494 TEU container vessel of 71,786 gross registered tons and IMO No 9332860 named "HAMBURG" and registered in the name of Langor Shipping Company Inc. under Marshall Islands flag.
- (g) the 6,494 TEU container vessel of 71,786 gross registered tons and IMO No 9332858 named "ROTTERDAM" and registered in the name of Meck Shipping Company Inc. under Marshall Islands flag.
- (h) the 6,541 TEU container vessel of 73,934 gross registered tons and IMO No 9306172 named "PUELO" and registered in the name of Eluk Shipping Company Inc. under Marshall Islands flag.
- (i) the 6,541 TEU container vessel of 73,934 gross registered tons and IMO No 9306158 named "PUCON" and registered in the name of Oruk Shipping Company Inc. under Marshall Islands flag.
- (j) the 5,576 TEU container vessel of 66,332 gross registered tons and IMO No 9298997 named "MARCH" and registered in the name of Delap Shipping Company Inc. under Marshall Islands flag.
- (k) the 5,576 TEU container vessel of 66,332 gross registered tons and IMO No 9267156 named "GREAT" and registered in the name of Jabor Shipping Company Inc. under Marshall Islands flag.

SIGNATORIES

The Borrower

Signed by Ioannis Zafirakis
DIANA CONTAINERSHIPS, INC
as borrower in the presence of:

)
)
)
/s/ Ioannis Zafirakis
Attorney-in-fact

The Owners

Signed by Ioannis Zafirakis
MAGO SHIPPING COMPANY INC.
as owner in the presence of:

)
)
)
/s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
DUD SHIPPING COMPANY INC.
as owner in the presence of:

)
)
/s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
RONGERIK SHIPPING COMPANY INC.
as owner in the presence of:

)
)
/s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
LANGOR SHIPPING COMPANY INC.
as owner in the presence of:

)
)
/s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
MECK SHIPPING COMPANY INC.
as owner in the presence of:

)
)
/s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
ELUK SHIPPING COMPANY INC.
as owner in the presence of:

)
)
/s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
ORUK SHIPPING COMPANY INC.
as owner in the presence of:

)
)
) /s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
DELAP SHIPPING COMPANY INC.
as owner in the presence of:

)
)
) /s/ Ioannis Zafirakis
Attorney-in-fact

Signed by Ioannis Zafirakis
JABOR SHIPPING COMPANY INC.
as owner in the presence of:

)
)
) /s/ Ioannis Zafirakis
Attorney-in-fact

Senior Mortgagee

Signed by E. Hanett
ADDIEWELL LTD

as Mortgagee in the presence of:

)
) /s/ Cokhava Marciano
Attorney-in-fact
Cokhava Marciano
28 Cranbourne Gardens
NW11 OHP

The Subordinated Mortgagee

EXECUTED as a **DEED**
by: Ioannis Zafirakis
for and on behalf of
DIANA SHIPPING INC.
as Subordinated Mortgagee
in the presence of:

)
)
)
)
) /s/ Ioannis Zafirakis
) Attorney-in-fact

/s/ Margarita Veniou
Witness
Name: Margarita Veniou
Address: Pendelis 16, 17564, Athens Greece
Occupation:

SUBORDINATED FACILITY AGREEMENT

relating to a credit facility
of US\$82,616,666.66 and Discount Premium Amount
of US\$5,000,000

dated 30 June 2017

for

DIANA CONTAINERSHIPS INC.

and

DIANA SHIPPING INC.

acting as Agent

with

DIANA SHIPPING INC.

acting as Security Trustee

SEWARD & KISSEL LLP

CONTENTS

Clause		Page No.
1	DEFINITIONS AND INTERPRETATION	1
2	THE FACILITY	15
3	PURPOSE	15
4	CONDITIONS OF UTILISATION	16
5	UTILISATION	17
6	REPAYMENT	18
7	PREPAYMENT AND CANCELLATION	18
8	INTEREST	22
9	INTEREST DATES	22
10	ASSUMPTION AND CONFIRMATION	22
11	AGENCY FEE	23
12	TAX GROSS UP AND INDEMNITIES	24
13	OTHER INDEMNITIES	28
14	COSTS AND EXPENSES	29
15	GUARANTEE AND INDEMNITY	30
16	REPRESENTATIONS	33
17	INFORMATION UNDERTAKINGS	37
18	FINANCIAL COVENANTS	39
19	GENERAL UNDERTAKINGS	40
20	INSURANCE	43
21	SHIP COVENANTS	47
22	APPLICATION OF EARNINGS	51
23	EVENTS OF DEFAULT	51
24	CHANGES TO THE LENDERS	55
25	CHANGES TO THE OBLIGORS	59

26	ROLE OF THE SERVICING PARTIES	60
27	CONDUCT OF BUSINESS BY THE FINANCE PARTIES	68
28	SHARING AMONG THE FINANCE PARTIES	68
29	PAYMENT MECHANICS	70
30	SET-OFF	72
31	NOTICES	72
32	CALCULATIONS AND CERTIFICATES	74
33	PARTIAL INVALIDITY	74
34	REMEDIES AND WAIVERS	74
35	AMENDMENTS AND WAIVERS	74
36	CONFIDENTIALITY	75
37	COUNTERPARTS	78
38	GOVERNING LAW	79
39	ENFORCEMENT	79
40	INTERCREDITOR AGREEMENT; CONFLICTS	79
	SCHEDULE 1 THE PARTIES PART I THE OBLIGORS	81
	SCHEDULE 1 THE PARTIES PART II LENDERS	84
	SCHEDULE 2 CONDITIONS PRECEDENT TO UTILISATION	85
	SCHEDULE 3 UTILISATION REQUEST	2
	SCHEDULE 4 FORM OF TRANSFER CERTIFICATE	3
	SCHEDULE 5 FORM OF ASSIGNMENT AGREEMENT	5
	SIGNATORIES	8

THIS AGREEMENT is dated 30 June 2017 and made between:

- (1) **DIANA CONTAINERSHIPS INC.**, a corporation incorporated in the Marshall Islands with registered office at Trust Company Complex, Ajeltake Island, P O Box 1405, Majuro, Marshall Islands MH96960 as borrower (the "**Borrower**");
- (2) **THE SUBSIDIARIES** of the Borrower listed in Part I of Schedule 1 as guarantors (the "**Guarantors**");
- (3) **THE FINANCIAL INSTITUTIONS** listed in Part II of Schedule 1 as lenders (the "**Lenders**");
- (4) **DIANA SHIPPING INC.**, as agent of the Finance Parties (the "**Agent**"); and
- (5) **DIANA SHIPPING INC.**, as trustee for the Finance Parties (the "**Security Trustee**").

BACKGROUND:

The Lenders have agreed to make available to the Borrower a credit facility of up to US\$82,616,666.66 for the purpose of assisting the Borrower and the Guarantors to refinance the Ships and the Existing Loan Agreement and for general corporate purposes and working capital requirements and in consideration of this for the Lenders (*inter alia*) to be entitled to a Discount Premium Amount in the sum of US\$5,000,000 in recognition of the substantial discount being secured through the advance of the Loan.

IT IS AGREED as follows:

**SECTION 1
INTERPRETATION**

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Accounting Information**", means the quarterly financial statements and/or the annual audited financial statements to be provided by the Borrower to the Agent in accordance with Clause 17.1 (*Financial Statements*).

"**Accounting Period**", means each consecutive period of approximately three months falling during the "Security 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 17.1 (*Financial Statements*).

"**Addiewell**" mean Addiewell Ltd.

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**agreed form**" means, in relation to any document, that document in the form specified by the Agent (acting on the instructions of all the Lenders).

"**Approved Flag**" means the Marshall Islands or any other flag as the Agent (acting on the authorisation of the Lenders) may approve as the flag on which a Ship may be registered.

"**Approved Flag State**" means any of the Marshall Islands or any other country in which the Agent (acting on the authorisation of the Lenders) may approve that a Ship may be registered.

"**Assignment Agreement**" means an agreement substantially in the form set out in Schedule 5 (*Form of Assignment Agreement*) or any other form agreed between the relevant assignor and assignee.

"**Approved Manager**" means, in relation to any Ship, Diana Shipping Services S.A., Unitized Ocean Transport Limited or any other person approved by the Agent (acting on the instructions of the Lenders) as the manager of that Ship.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, legalisation or registration.

"**Availability Date**" means the date on which all the conditions precedent referred to in Schedule 2 have been satisfied and shall be no later than 15 July 2017 or such later date as the Agent (acting on the instructions of the Lenders) may agree with the Borrower.

"**Availability Period**" means the period from and including the date of this Agreement to and including 15 July 2017.

"**Available Commitment**" means a Lender's Commitment minus:

- (a) the amount of its participation in the Loan; and
- (b) in relation to any proposed Utilisation, the amount of its participation in the Loan that is due to be made on or before the proposed Utilisation Date.

"**Available Facility**" means the aggregate for the time being of each Lender's Available Commitment.

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

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Commitment**" means in respect of the Loan:

- (a) in relation to a Lender, the amount set opposite its name under the heading "Commitment" in Part II of Schedule 1 (*The Parties*) and the amount of any other Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Confidential Information**" means all information relating to any Obligor, the Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either:

- (a) any member of the Group or any of its advisers; or
- (b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 36 (*Confidentiality*); or
- (ii) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or
- (iii) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Confidentiality Undertaking**" means a confidentiality undertaking in the standard LMA form or in any other form agreed between the Borrower and the Agent.

"**Default**" means an Event of Default or any event or circumstance specified in Clause 23 (*Events of Default*) 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.

"**Discount Premium Amount**" means the amount of US\$5,000,000 to which the Lenders shall become entitled on the Utilisation Date from the Borrower, which amount is payable in accordance with this Agreement together with interest thereon accruing and payable as if such Discount Premium Amount were advanced on the Utilisation Date or, as the context may require, the principal amount outstanding for the time being of that amount.

"**dollars**" and "**\$**" mean the lawful currency, for the time being, of the United States of America.

"**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 a "claim" includes 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:

- (a) any release of Environmentally Sensitive Material from a Ship; or
- (b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or enjoined and/or a Ship and/or any Obligor and/or any operator or manager of a 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 a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where any Obligor and/or any operator or manager of a 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 event or circumstance specified as such in Clause 23 (*Events of Default*).

"**Executive Managers**" means Symeon Palios, Anastasios Margaronis, Ioannis Zafirakis and Andreas Michalopoulos.

"**Existing Loan Agreement**" means the unsecured loan agreement, dated as of May 20, 2013, as amended on July 28, 2014 and further amended on September 9, 2015, December 3, 2015, September 12, 2016 and May 30, 2017, between the Agent, as lender, Kapa Shipping Company Inc., as borrower, and the Borrower, as guarantor.

"**Facility**" means the credit facility made available under this Agreement as described in Clause 2 (*The Facility*).

"**Facility Office**" means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than 5 Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

"**FATCA**" means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;

- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**Finance Document**" means:

- (a) this Agreement;
- (b) the Notes;
- (c) the Mortgages;
- (d) the Insurance Assignments;
- (e) the Share Security;
- (f) the Intercreditor Agreement;
- (g) the Proceeds Assignment; and
- (h) any other document designated as such by the Agent and the Borrower.

"**Finance Party**" means the Agent, the Security Trustee or a Lender.

"**Financial Indebtedness**" means, in relation to any member of the Group (the "**debtor**"), a liability of the debtor resulting from:

- (a) money borrowed from all sources;
 - (b) any bonds, notes, loan stock, debentures or similar instruments;
 - (c) acceptance credits, bills of exchange or documentary credits;
 - (d) share issues on the basis that they are, or may become, redeemable (at redemption value);
 - (e) gross obligations under finance leases;
 - (f) factoring of debts;
 - (g) amounts raised or obligations incurred in respect of any other transaction, which has the commercial effect of borrowing as determined in accordance with GAAP,
-

provided that no amount shall be taken into account more than once in calculating Financial Indebtedness.

"**Group**" means the Borrower and its Subsidiaries from time to time.

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation of which it is a Subsidiary.

"**Insurance Assignment**" means, in relation to each Ship, an assignment of its Insurances and any Requisition Compensation in agreed form.

"**Insurances**" means, in relation to any Ship:

- (a) all policies and contracts of insurance, including entries of that Ship in any protection and indemnity or war risks association, effected in respect of that Ship, or otherwise in relation to that Ship 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 of insurance or entry has expired on or before the date of this Agreement.

"**Intercreditor Agreement**" means an agreement entered into or to be entered into by Addiewell, the Obligors and the Security Trustee regulating their respective entitlements and security interests in agreed form.

"**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 or supplemented 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 (ISPS) Code as adopted by the International Maritime Organization's (IMO) Diplomatic Conference of December 2002, as the same may be amended or supplemented from time to time (and the term "**ISSC**" means an International Ship Security Certificate issued under the ISPS Code).

"**Lender**" means:

- (a) any Lender; and
- (b) any bank, financial institution, trust, fund or other entity or any special purpose vehicle owned by any such entity which has become a Party in accordance with Clause 24 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with this Agreement.

"**LMA**" means the Loan Market Association.

"**Loan**" means a loan made or to be made under the Facility in the principal amount of US\$82,616,666.66 or, as the context may require, the principal amount outstanding for the time being of that loan.

"**Major Casualty**" means, in relation to any 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 \$1,000,000 or the equivalent in any other currency.

"**Material Adverse Effect**" means the effect of any event or circumstance or series of events or circumstances occurring or coming into being after the date of this Agreement (or, if expressly specified in this Agreement, during any earlier period) which in the opinion of the Lenders is reasonably likely to have a material adverse effect on:

- (a) the business, conditions (financial or otherwise), property, performance, prospects or results or operations of any member of the Group or the Group taken as a whole, so as to result in a Default in respect of the financial covenants in Clause 18 (*Financial Covenants*) under this Agreement on the next occasion on which they are required to be measured for any purpose under this Agreement; or
- (b) the ability of the Obligors taken as a whole to comply with their material obligations under this Agreement or the Finance Documents to which they are a party; or
- (c) (if not falling within paragraph (b) above, and to the extent that there has not at the time of the Lenders' determination of Material Adverse Effect been another express Default), the legality, validity or enforceability of the Security created under or pursuant to the Finance Documents, or the rights or remedies of the Lenders in relation to that Security.

"**Month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

"**Mortgage**" means, in relation to any Ship, the ship mortgage on that Ship and, if required by the Approved Flag State, a collateral deed of covenant in agreed form.

"**Notes**" means the notes to be made by the Borrower evidencing the debt constituted by the Loan and the Discount Premium Amount in agreed form.

"**Obligor**" means the Borrower or any Guarantor.

"**Original Financial Statements**" means those financial statements delivered pursuant to Schedule 2.

"**Party**" means a party to this Agreement.

"**Permitted Security**" means:

- (a) Security created by the Finance Documents;
- (b) Security created by the Senior Finance Documents;

- (c) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (d) in respect of a Ship, liens for unpaid master's and crew's wages in accordance with usual maritime practice;
- (e) in respect of a Ship, liens for salvage;
- (f) in respect of a Ship, liens for master's disbursements incurred in the ordinary course of trading; and
- (g) 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 in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 21.11 (*Restrictions on chartering, appointment of managers etc.*).

"**Proceeds**" means the proceeds (net of usual commissions and direct collection expense) of (i) the disposal of any Ship, (ii) the disposal of any other asset of the Borrower and/or the Obligors, (iii) sale, realisation or exercise of the Warrants of the Borrower, (iv) sale of shares of the Borrower, (v) disposal of any of the shares of any of the Guarantors, (vi) the proceeds of a Total Loss of any Ship.

"**Proceeds Assignment**" means a document creating security over the proceeds of any Warrants in agreed form.

"**Prohibited Person**" means any person (whether designated by name or by reason of being included in a class of persons) against whom Sanctions are directed.

"**Qualifying Lender**" has the meaning given to it in Clause 12 (*Tax gross-up and indemnities*).

"**RBS**" means The Royal Bank of Scotland plc.

"**RBS Facility**" means the Loan Facility made available by RBS to certain of the Guarantors as borrowers pursuant to a Facility Agreement dated 10 September 2015.

"**Refinancing Proceeds**" means the proceeds of any refinancing of the Borrower and/or the Guarantors by a third party financial institution or investor for the purpose of repaying the Loan and the Discount Premium Amount.

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"**Relevant Families**" means the families of the Executive Managers.

"**Repeating Representations**" means each of the representations set out in Clauses 16.1 to 16.7 inclusive, Clause 16.9, Clause 16.11 and Clause 16.13.

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**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**".

"**Resignation Letter**" means a letter in the form agreed between the Borrower and the Agent.

"**Sanctions**" means any sanctions, embargoes, freezing provisions, prohibitions or other restrictions relating to trading, doing business, investment, exporting, financing or making assets available (or other activities similar to or connected with any of the foregoing):

- (a) imposed by law or regulation of the United Kingdom, the Council of the European Union, the United Nations or its Security Council or the United States of America regardless of whether the same is or is not binding on any Obligor; or
- (b) otherwise imposed by any law or regulation binding on an Obligor or to which an Obligor is subject (which shall include without limitation, any extra-territorial sanctions imposed by law or regulation of the United States of America).

"**Security**" means:

- (a) a mortgage, charge (whether fixed or floating), pledge, assignment, trust, trust receipt, consignment, any maritime or other lien of any kind;
- (b) any other security interest of a kind not included in paragraph (a) of this definition;
- (c) a conditional sale agreement (including an agreement to sell subject to retention of title), hire purchase agreement, lease or contract of bailment that in effect secures payment or performance of a liability or obligation;
- (d) right of set-off or flawed asset arrangement that in effect secures payment or performance of a liability or obligation; and
- (e) without limiting the generality of the preceding paragraphs of this definition, any other transaction or instrument that in substance or by operation of law, now or in the future, creates an interest, right or claim in relation to property (real or personal) that secures the payment or performance of a liability or obligation, without regard to:
 - (i) the form of the transaction or instrument; or
 - (ii) the identity of the person who has title to the relevant property.

"**Security Period**" means the period starting on the date of this Agreement and ending on the date on which the Agent is satisfied that all amounts outstanding under the Finance Documents have been irrevocably paid and discharged in full (both dates inclusive).

"**Senior Discount Premium Amount**" means the "Discount Premium Amount" as defined under the Senior Loan Agreement.

"**Senior Finance Documents**" means:

- (a) the Senior Loan Agreement; and

(b) any other document relating to or evidencing Senior Liabilities.

"Senior Liabilities" means the Senior Loan and the Senior Discount Premium Amount and all other indebtedness owed or expressed to be owed by the Borrower and/or any of the Guarantors to Addiewell whether under the Senior Finance Documents or otherwise.

"Senior Loan" means the loan in the amount of \$35,000,000 made available by Addiewell to the Borrower pursuant to the Senior Loan Agreement.

"Senior Loan Agreement" means a loan agreement dated 30 June 2017 and made between (i) the Borrower, (ii) the Guarantors and (iii) Addiewell for the Senior Loan and the Senior Discount Premium Amount.

"Servicing Party" means the Agent or the Security Trustee.

"Share Security" means a document creating Security over the share capital of each Guarantor in agreed form.

"Ship" means each of:

- (a) the 3,426 TEU container vessel of 36,087 gross registered tons and IMO No 9401166 named "SAGITTA" and registered in the name of Likiep Shipping Company Inc. under the Marshall Islands flag;
- (b) the 3,426 TEU container vessel of 36,087 gross registered tons and IMO No 9401178 named "CENTAURUS" and registered in the name of Orangina Inc. under the Marshall Islands flag.
- (c) the 4,923 TEU container vessel of 54,828 gross registered tons and IMO No 9387097 named "NEW JERSEY" and registered in the name of Mago Shipping Company Inc. under the Marshall Islands flag.
- (d) the 5,042 TEU container vessel of 54,809 gross registered tons and IMO No 9326782 named "PAMINA" and registered in the name of Dud Shipping Company Inc. under Marshall Islands flag.
- (e) the 3,739 TEU container vessel of 40,085 gross registered tons and IMO No 9215672 named "DOMINGO" and registered in the name of Rongerik Shipping Company Inc. under the Marshall Islands flag.
- (f) the 6,494 TEU container vessel of 71,786 gross registered tons and IMO No 9332860 named "HAMBURG" and registered in the name of Langor Shipping Company Inc. under the Marshall Islands flag.
- (g) the 6,494 TEU container vessel of 71,786 gross registered tons and IMO No 9332858 named "ROTTERDAM" and registered in the name of Meck Shipping Company Inc. under the Marshall Islands flag.
- (h) the 6,541 TEU container vessel of 73,934 gross registered tons and IMO No 9306172 named "PUELO" and registered in the name of Eluk Shipping Company Inc. under the Marshall Islands flag.

- (i) the 6,541 TEU container vessel of 73,934 gross registered tons and IMO No 9306158 named "PUCON" and registered in the name of Oruk Shipping Company Inc. under the Marshall Islands flag.
- (j) the 5,576 TEU container vessel of 66,332 gross registered tons and IMO No 9298997 named "MARCH" and registered in the name of Delap Shipping Company Inc. under the Marshall Islands flag.
- (k) the 5,576 TEU container vessel of 66,332 gross registered tons and IMO No 9267156 named "GREAT" and registered in the name of Jabor Shipping Company Inc. under the Marshall Islands flag.

"**Subsidiary**" means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Termination Date**" means the date falling eighteen (18) months after the Utilisation Date.

"**Total Commitments**" means the aggregate of the Commitments to the Loan, being US\$82,616,666.66.

"**Total Loss**" means, in relation to any Ship:

- (a) actual, constructive, compromised, agreed or arranged total loss of that Ship;
- (b) any expropriation, confiscation, requisition or acquisition of that Ship, whether for full consideration, a consideration less than its 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 30 days redelivered to the full control of the Guarantor which owns that Ship; and
- (c) any arrest, capture, seizure or detention of that Ship (including any hijacking or theft) unless it is within 30 days redelivered to the full control of the Guarantor which owns that Ship or in the case of a piracy event such longer period as may be applicable under the relevant hull marine and/or war insurance policy before such piracy event becomes declarable as a total loss under such insurance policy.

"**Total Loss Date**" means, in relation to the Total Loss of 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 earlier 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 Guarantor which owns that 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, the date (or the most likely date) on which it appears to the Agent that the event constituting the total loss occurred.

"**Transfer Certificate**" means a certificate in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

"**Transfer Date**" means, in relation to an assignment or a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and
- (b) the date on which the Agent executes the relevant Assignment Agreement or Transfer Certificate.

"**Trust Property**" means:

- (a) all Security and other rights granted to, or held or exercisable by, the Security Trustee under or by virtue of the Finance Documents, except rights intended for the sole benefit or protection of the Security Trustee;
- (b) all moneys or other assets which are received or recovered by or on behalf of the Security Trustee under or by virtue of any Security or right covered by paragraph (a) above, including any moneys or other assets which are received or recovered by it as a result of the enforcement or exercise by it of such a Security or right; and
- (c) all moneys or other assets which may accrue in respect of, or be derived from, any moneys or other assets covered by paragraph (b) above,

except any moneys or other assets which the Security Trustee has transferred to the Agent or (being entitled to do so) has retained in accordance with the provisions of Clause 26 (*Role of the Servicing Parties*).

"**Unpaid Sum**" means any sum due and payable but unpaid by an Obligor under the Finance Documents and referred to in Clause 8.3.

"**US Tax Obligor**" means an Obligor which is either (a) a "United States Person" within the meaning of Section 7701(a)(30) of the Code or (b) a person who pays interest under this Agreement that is treated as U.S. source income under the Code.

"**Utilisation**" means a utilisation of the Facility under this Agreement.

"**Utilisation Date**" means the date of the Utilisation, being the date on which the Loan is to be made under this Agreement.

"**Utilisation Request**" means a notice substantially in the form set out in Schedule 3 (*Requests*).

"**VAT**" means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

"Warrants" means the Borrower's Series B-1 Warrants to purchase the Borrower's Series B-1 Convertible Preferred Shares and the Borrower's Series B-2 Warrants to purchase the Borrower's Series B-2 Convertible Preferred Shares, issued by the Borrower on 24 March 2017 together with any further warrants issued by the Borrower in favour of any Finance Party and shall include any modifications, variations or replacements of any of the foregoing.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) any "**Finance Party**", any "**Obligor**" or any other "**person**" shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) "**assets**" includes present and future properties, revenues and rights of every description;
 - (iii) a "**Finance Document**", or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
 - (iv) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (v) a "**person**" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vi) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (vii) a provision of any law or regulation is a reference to that provision or regulation as amended, extended, re-enacted or replaced; and
 - (viii) a time of day is a reference to London time.
- (b) Section, Clause and Schedule headings are for ease of reference only and are not to be used for the purposes of construction or interpretation of the Finance Documents.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under, or in connection with, any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived and an Event of Default is "**continuing**" if it has not been remedied or waived.

1.3 Third Party Rights

- (a) Unless expressly provided to the contrary in a Finance Document, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Agreement.

(b) Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

SECTION 2

THE FACILITY

2 THE FACILITY

2.1 The Facility

- (a) Subject to the terms of this Agreement, the Lenders have agreed to make available to the Borrower a dollar credit facility in an aggregate amount equal to the Total Commitments.
- (b) In consideration of this and recognising the substantial benefit received by the Borrower and the Guarantors from the advance of the Loan, the Borrower has agreed to pay to the Lenders US\$5,000,000 by way of Discount Premium Amount which amount is to be payable in accordance with this Agreement together with interest thereon accruing and payable as if such Discount Premium Amount were advanced to the Borrowers by way of loan on the Utilisation Date.

2.2 Finance Parties' rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.
- (c) A Finance Party may separately sue for any Unpaid Sum due to it.
- (d) Except as provided in paragraph (c) above, no Finance Party may commence proceedings against any Obligor in connection with a Finance Document without the prior consent of the Lenders.

3 PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it in respect of the Loan in payment to RBS for the application by RBS in *pro tanto* satisfaction of the Borrower's obligations under the RBS Facility, in payment of its obligations under the Existing Loan Agreement and for general corporate purposes and capital requirements.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 CONDITIONS OF UTILISATION

4.1 Availability Date

It shall be a condition to the Utilisation and the Availability Date becoming effective that the Agent has received all of the documents and other evidence listed in Part A of Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied and at the same time shall notify the Borrower that the Commitments are available for drawing.

4.2 Conditions Subsequent

The Borrower undertakes to deliver or cause to be delivered to the Agent within ten Business Days after the Utilisation Date, or such later date as the Agent may agree, the additional documents and other evidence listed in Part B of Schedule 2 (*Conditions Subsequent*) in form and substance satisfactory to the Agent.

SECTION 3

UTILISATION

5 UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise the Facility by delivery to the Agent of a duly completed Utilisation Request not later than such time as the Agent shall reasonably agree.

5.2 Completion of a Utilisation Request

(a) A Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

- (i) the proposed Utilisation Date is a Business Day within the Availability Period; and
- (ii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*).

(b) Only one Utilisation Request is permitted under this Agreement.

5.3 Currency and amount

(a) The currency specified in a Utilisation Request must be dollars.

(b) The amount of the proposed Loan must be for an amount which does not exceed the Available Facility.

5.4 Lenders' participation

(a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in the Loan available by the Utilisation Date through its Facility Office.

(b) The amount of each Lender's participation in the Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately before making the Loan.

(c) The Agent shall notify each Lender of the amount of the Loan and the amount of its participation in the Loan.

5.5 Cancellation of Commitment

At the end of the Availability Period, the Commitments which are unutilised shall be immediately cancelled.

SECTION 4

REPAYMENT, PREPAYMENT AND CANCELLATION

6 REPAYMENT

6.1 Repayment of Loan and payment of Discount Premium Amount

The Borrower shall repay the Loan in full and pay the Discount Premium Amount on the Termination Date.

6.2 Termination Date

On the Termination Date, the Borrower shall additionally pay to the Agent for the account of the Finance Parties all other sums then accrued and owing under the Finance Documents.

6.3 Reborrowing

No part of the Facility which is repaid or prepaid may be reborrowed.

6.4 Early Repayment

Subject to the terms of the Intercreditor Agreement, the Borrower shall, if so demanded by the Agent on behalf of the Lenders, repay the Loan on or at any time after the date falling twelve (12) months after the Utilisation Date as specified by the Agent in the relevant demand notice. Any such demand by the Lenders shall be made in writing not less than fourteen (14) days prior to the due date for payment.

If the Borrower repays the Loan on or before the date upon which the Loan is to be repaid pursuant to a demand in accordance with Clause 6.4, the Lenders shall thereupon (but not otherwise) be deemed to have waived permanently and cancelled their entitlement to any part of the Discount Premium Amount (other than any interest thereon paid to the Lender prior to such date). If the Loan is not so repaid, the Discount Premium Amount shall remain payable in accordance with this Agreement.

This Clause 6.4 shall not apply in circumstances where an Event of Default has occurred and is continuing.

7 PREPAYMENT AND CANCELLATION

7.1 Illegality

(a) If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan:

- (i) that Lender (the "**Notifying Lender**") shall promptly notify the Agent upon becoming aware of that event;
- (ii) upon the Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and

- (iii) subject to the terms of the Intercreditor Agreement, the Borrower shall repay that Lender's participation in the Loan on the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Change of executive management and/or beneficial ownership

- (a) If there is a change in one or more of the Executive Managers other than a change resulting from the death, disability or removal for cause of an Executive Manager:
 - (i) the Borrower shall promptly notify the Agent upon becoming aware of that event; and
 - (ii) a Lender shall not be obliged to fund the Utilisation; and
 - (iii) subject to the terms of the Intercreditor Agreement and if the Lenders so require, the Agent shall, by not less than 30 days' notice to the Borrower, cancel the Facility and declare the Loan, together with accrued interest, the Discount Premium Amount and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Facility will be cancelled and all such outstanding amounts will become immediately due and payable.
- (b) If a change occurs after the date of this Agreement in the ultimate beneficial ownership of any of the shares in the Borrower or any of its Subsidiaries so that persons other than:
 - (i) members of the Relevant Families or the Agent;
 - (ii) beneficiaries of any employee stock ownership plan or other employee benefit plan of the Borrower or its Subsidiaries; or
 - (iii) one or more underwriters temporarily holding shares of the Borrower pursuant to an offering of such shares, have acquired or shall acquire direct or indirect legal or beneficial ownership of more than 20 per cent of the issued and outstanding share capital of the Borrower or so that less than 20 per cent of the aggregate voting power of the Borrower's issued share capital is vested in the ownership of members of the Relevant Families or the Agent:
 - (i) the Borrower shall promptly notify the Agent upon becoming aware of that event; and
 - (ii) a Lender shall not be obliged to fund a Utilisation; and
 - (iii) subject to the terms of the Intercreditor Agreement and if the Lenders so require, the Agent shall, by not less than 30 days' notice to the Borrower, cancel the Facility and declare the Loan, together with accrued interest, and all other amounts accrued under the Finance Documents and the Discount Premium Amount immediately due and payable, whereupon the Facility will be cancelled and all such outstanding amounts and the Discount Premium Amount will become immediately due and payable.

7.3 **Voluntary prepayment**

Subject to the terms of the Intercreditor Agreement, the Borrower may, if it gives the Agent not less than 14 days' (or such shorter period as the Lenders may agree) prior notice, prepay the whole or part of the Loan and/or the whole or part of the Discount Premium Amount.

7.4 **Mandatory Prepayment – Refinancing Proceeds**

Upon receipt of any Refinancing Proceeds the Borrower shall prepay the whole of the Loan and the Discount Premium Amount; it is agreed that in such event the Loan and the Discount Premium Amount shall be prepaid in priority to the Subordinated Loans.

7.5 **Mandatory prepayment – Sale or Total Loss**

- (a) If a Ship is sold or becomes a Total Loss, the relevant part of the Proceeds thereof shall (subject to the Intercreditor Agreement and subject to Clause 7.7) be applied by whichever Obligor or Finance Party is in receipt of the same in accordance with Clause 29.5.
- (b) Such repayment shall be made:
 - (i) in the case of a sale of a Ship, on or before the date on which the sale is completed by delivery of that Ship to the buyer;
 - (ii) in the case of a Total Loss, on the earlier of the date falling 120 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss; or
 - (iii) as otherwise required by the Intercreditor Agreement.
- (c) For the purpose of paragraph (a) above, "**relevant part**" means an amount equal to the net sales proceeds of the relevant Ship or (in the case of a Total Loss) the amount for which such Ship is to be insured pursuant to this Agreement (less any irrecoverable costs of collection); provided that, in the case of a sale, the Lenders may require evidence that the sale price was not less than the fair market value of the relevant Ship.

7.6 **Mandatory Prepayment - other Proceeds**

Any and all other Proceeds shall (subject to the Intercreditor Agreement) be applied by whichever Obligor or Finance Party is in receipt of the same in accordance with Clause 29.5.

7.7 **Replacement Option**

- (a) Upon the sale of the Ship (or a Total Loss of a Ship) the Borrower may, subject to no Event of Default having occurred and being continuing and subject to the Intercreditor Agreement, elect to retain the proceeds of such sale (or Total Loss) for the purpose of re-investing such amount in another vessel approved by the Security Trustee on behalf of the Lenders being a vessel with a market value at least equal to the re-invested amount.
- (b) In such case, and prior to completion of the relevant sale of a Ship (or receipt of Total Loss proceeds) the Borrower shall constitute in favour of the Security Trustee a Security over such sale (or Total Loss) proceeds in agreed form and provide the Security Trustee with such ancillary evidence, Authorisation and other documents as the Security Trustee may require.

- (c) The funds so deposited will stand as security for the Loan and the Discount Premium Amount and other moneys under this Agreement but may be released from such Security upon the purchase by the Borrower of a ship approved by the Security Trustee (on behalf of the Lenders) in its absolute discretion, and on the basis that forthwith upon the completion of such purchase the new ship will be subject to a Mortgage and Insurance Assignment as security for the Loan and the Discount Premium Amount, and the Borrower will have provided to the Security Trustee such documents, Authorisation and evidence similar to the requirements set forth in Schedule 2 as the Security Trustee may (in its absolute discretion) require. Upon completion of such purchase the Borrower and the Guarantors will enter into such supplementary documentation as the Agent may require to incorporate the new vessel into the term of this Agreement.
- (d) If the Borrower does not use the relevant sale (or Total Loss) proceeds within 6 months of receipt or, if earlier, prior to the Termination Date then the relevant proceeds shall be applied in prepayment of the Loan and the Discount Premium Amount by the Lenders at any time thereafter and in accordance with the Intercreditor Agreement.

SECTION 5
COSTS OF UTILISATION

8 INTEREST

8.1 Calculation of interest

The rate of interest on the Loan is the percentage rate per annum which is Six per cent (6%) for the period from the Utilisation Date up to and including the first anniversary of the Utilisation Date, Nine per cent (9%) for the period from the first anniversary of the Utilisation Date up to and including the date three months thereafter and Twelve per cent (12%) from the date fifteen months after the Utilisation Date. The Borrower shall also pay amounts calculated as if they were interest payable under this Clause 8.1 on the amount of the Discount Premium Amount as if it were a loan drawdown on the Utilisation Date. Such interest to be payable on the same date, at the same rate and otherwise calculated and payable as interest on the Loan.

8.2 Payment of interest

The Borrower shall pay accrued interest on the Loan and on the Discount Premium Amount on the last day of each three month period occurring after the Utilisation Date and on the date of final repayment of the Loan and the Discount Premium Amount.

8.3 Default interest

- (a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date up to the date of actual payment (both before and after judgment) at Fourteen per cent (14%) per annum. Any interest accruing under this Clause 8.3 shall be immediately payable by the Obligors on demand by the Agent.
- (b) Default interest (if unpaid) arising on an Unpaid Sum will be compounded with the Unpaid Sum at the end of each month but will remain immediately due and payable.

9 INTEREST DATES

9.1 Non-Business Days

If any date for the payment of interest would otherwise fall on a day which is not a Business Day, that date will instead fall on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 ASSUMPTION AND CONFIRMATION

10.1 Assumption

The Borrower hereby agrees, on and with effect from the Utilisation Date, to become obligated to the Lenders in the amount of the Discount Premium Amount payable in accordance with this Agreement.

10.2 **Consideration**

The Borrower and the Guarantors hereby confirm that the obligations of the Borrower to the Lenders with respect to the Discount Premium Amount is proportionate and appropriate and reasonable in the light of this benefit to be derived by the Borrower and the Guarantors from the Loan. The Borrower and the Guarantors agree not to challenge or purport to challenge the entitlement of the Lenders to the Discount Premium Amount.

11 **AGENCY FEE**

11.1 **Agency fees**

The Borrower shall pay to the Agent (for its own account) and to the Security Trustee (for its own account) any agency fee or trustee fee in the amount and at the times agreed by the Agent and the Borrower.

SECTION 6

ADDITIONAL PAYMENT OBLIGATIONS

12 TAX GROSS UP AND INDEMNITIES

12.1 Definitions.

In this Agreement:

"**Protected Party**" means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document;

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document;

Unless a contrary indication appears, in this Clause 12, a reference to "**determines**" or "**determined**" means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

- (a) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Borrower shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrower and that Obligor.
- (c) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

12.3 Tax indemnity

- (a) The Borrower shall (within 3 Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:

- (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
- (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction, if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or

(ii) to the extent a loss, liability or cost:

- (A) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or
- (B) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 12.2 (*Tax gross-up*) applied or related to a FATCA Deduction required to be made by a Party.

(c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.

(d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 12.3, notify the Agent.

12.4 **Stamp taxes**

The Borrower shall pay and, within 3 Business Days of demand, indemnify each Finance Party against any cost, loss or liability which that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.5 **FATCA Information**

(a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

- (A) a FATCA Exempt Party; or

(ii) not a FATCA Exempt Party; and

(iii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and

(iv) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

- (b) If a Party confirms to another Party pursuant to sub-paragraph (i) of paragraph (a) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige any Finance Party to do anything and sub-paragraph (iv) of paragraph (a) above shall not oblige any other Party to do anything which would or might in its reasonable opinion constitute a breach of:
 - (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with sub-paragraphs (i) or (iii) of paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.
- (e) If the Borrower is a US Tax Obligor, or the Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:
 - (i) where the Borrower is a US Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;
 - (ii) where the Borrower is a US Tax Obligor on a Transfer Date and the relevant Lender is a New Lender, the relevant Transfer Date; or
 - (iii) where the Borrower is not a US Tax Obligor, the date of a request from the Facility Agent,supply to the Facility Agent:
 - (i) a withholding certificate on Form W-8, Form W-9 or any other relevant form; or
 - (ii) any withholding statement or other document, authorisation or waiver as the Facility Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.
- (f) The Facility Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) above to the Borrower.
- (g) If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Facility Agent by a Lender pursuant to paragraph (e) above is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Facility Agent unless it is unlawful for the Lender to do so (in which case the Lender

shall promptly notify the Facility Agent). The Facility Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the Borrower.

- (h) The Facility Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) or (g) above without further verification. The Facility Agent shall not be liable for any action taken by it under or in connection with paragraphs (e), (f) or (g) above.

12.6 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction, including without limitation, under Clauses 12.2 and 12.3 of this Agreement.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify each Obligor and the Facility Agent and the Facility Agent shall notify the other Finance Parties.

12.7 VAT

- (a) All amounts set out or expressed in a Finance Document to be payable by any Party to a Finance Party which (in whole or in part) constitute the consideration for a supply or supplies for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party under a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of such VAT (and such Finance Party shall promptly provide an appropriate VAT invoice to such Party).
 - (b) If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party other than the Recipient (the "**Subject Party**") is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such Party shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient will promptly pay to the Subject Party an amount equal to any credit or repayment obtained by the Recipient from the relevant tax authority which the Recipient reasonably determines is in respect of such VAT.
 - (c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
 - (d) Any reference in this Clause 12.5 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the
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term "representative member" to have the same meaning as in the Value Added Tax Act 1994).

13 OTHER INDEMNITIES

13.1 Currency indemnity

(a) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

- (i) making or filing a claim or proof against that Obligor; or
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within 3 Business Days of demand, indemnify each Finance Party to which that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

13.2 Other indemnities

The Borrower shall (or shall procure that an Obligor will), within 3 Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 28 (*Sharing among the Finance Parties*);
- (c) funding, or making arrangements to fund, its participation in the Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) the Loan (or part of the Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

13.3 Indemnity to the Agent and the Security Trustee

The Borrower shall promptly indemnify the Agent and the Security Trustee against any cost, loss or liability incurred by the Agent or the Security Trustee (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or

- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

13.4 **Environmental Indemnity**

The Borrower shall fully indemnify each Finance Party severally on their respective demands in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by a Finance Party under, or in connection with this Agreement, in any country, 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.

14 COSTS AND EXPENSES

14.1 **Transaction expenses**

The Borrower shall promptly on demand pay the Agent and the Security Trustee the amount of all costs and expenses (including legal fees) reasonably incurred by any of them in connection with the negotiation, preparation, printing, execution and syndication of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

14.2 **Amendment costs**

If an Obligor requests an amendment, waiver or consent

the Borrower shall, within 3 Business Days of demand, reimburse the Agent and the Security Trustee for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent or the Security Trustee in responding to, evaluating, negotiating or complying with that request or requirement.

14.3 **Enforcement costs**

The Borrower shall, within 3 Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7

GUARANTEE

15 GUARANTEE AND INDEMNITY

15.1 Guarantee and indemnity

Each Guarantor irrevocably and unconditionally jointly and severally:

- (a) guarantees to each Finance Party punctual performance by the Borrower of all the Borrower's obligations under the Finance Documents;
- (b) undertakes with each Finance Party that whenever the Borrower does not pay any amount when due under or in connection with any Finance Document that Guarantor shall immediately on demand pay that amount as if it were the principal obligor;
- (c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of a Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 15 if the amount claimed had been recoverable on the basis of a guarantee; and
- (d) confirms in accordance with Clause 10.2 that this Clause shall apply in all respects to the Borrower's obligation with respect to the Discount Premium Amount.

15.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents regardless of any intermediate payment or discharge in whole or in part.

15.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 15, to the extent that such liability has been reduced as a result of such avoidance or restoration, will continue or be reinstated as if the discharge, release or arrangement had not occurred.

15.4 Waiver of defences

The obligations of each Guarantor under this Clause 15 will not be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause 15 (without limitation and whether or not known to it or any Finance Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or other person;

- (b) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

15.5 **Immediate recourse**

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 15. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

15.6 **Appropriations**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 15.

15.7 **Deferral of Guarantors' rights**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Obligor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable to any other Obligor in any capacity, or arising out of any transaction, whatsoever:

- (a) to be indemnified by an Obligor;

- (b) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;
- (d) to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 15.1 (*Guarantee and Indemnity*);
- (e) to exercise any right of set-off against any Obligor; and/or
- (f) to claim or prove as a creditor of any Obligor in competition with any Finance Party.

If an Obligor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full or trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 29.5.

15.8 **Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

SECTION 8

REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

16 REPRESENTATIONS

Each Obligor makes the representations and warranties set out in this Clause 16 to each Finance Party on the date of this Agreement.

16.1 Status

- (a) It is a corporation, duly incorporated and validly existing in good standing under the law of its jurisdiction of incorporation.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

16.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document to which it is a party are, subject to any general principles of law limiting its obligations which are referred to in any legal opinion delivered pursuant to Clause 4 (*Conditions of Utilisation*) or Clause 25 (*Changes to the Obligors*), legal, valid, binding and enforceable obligations.

16.3 Status of security

- (a) Each Finance Document to which it is a party does now or, as the case may be, will upon execution and delivery (and, where applicable, registration) confer the Security it purports to confer over any assets to which such Security, by its terms, relates subject to any general principles of law limiting its obligations which are specifically referred to in any legal opinion delivered pursuant to Clause 4 (*Conditions of Utilisation*) or Clause 25 (*Changes to the Obligors*); and
- (b) no third party will have any Security (except for Permitted Security) over any asset to which such Security, by its terms, relates.

16.4 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets.

16.5 Power and authority

It 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.

16.6 **Validity and admissibility in evidence**

All Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation, have been obtained or effected and are in full force and effect.

16.7 **Governing law and enforcement**

- (a) The choice of English law as the governing law of the Finance Documents (other than any Mortgage) will be recognised and enforced in its jurisdiction of incorporation.
- (b) Any judgment obtained in England in relation to a Finance Document (other than a Mortgage) will be recognised and enforced in its jurisdiction of incorporation.
- (c) The choice of law of the relevant Approved Flag State as the governing law of each Mortgage will be recognised and enforced in its jurisdiction of incorporation.

In each case subject to any reservations or qualifications which are referred to in any legal opinion delivered pursuant to Clause 4 (*Conditions of Utilisation*) or Clause 25 (*Changes to the Obligors*).

16.8 **Deduction of Tax**

It is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to which it is a party.

16.9 **No filing or stamp taxes**

Under the law of its jurisdiction of incorporation 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 subject to any reservations or qualifications which are referred to in any legal opinion delivered pursuant to Clause 4 (*Conditions of Utilisation*) or Clause 25 (*Changes to the Obligors*).

16.10 **No default**

- (a) No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or its Subsidiaries') assets are subject which might have a Material Adverse Effect.

16.11 **No misleading information**

- (a) All financial and other information which is provided by or on behalf of any member of the Group under or in connection with any Finance Document is true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

16.12 **Financial statements**

- (a) Its Original Financial Statements were prepared in accordance with GAAP consistently applied unless expressly disclosed to the Agent in writing to the contrary before the date of this Agreement.
- (b) Its Original Financial Statements fairly represent its financial condition and operations (consolidated in the case of the Borrower) during the relevant financial year unless expressly disclosed to the Agent in writing to the contrary before the date of this Agreement.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group, in the case of the Borrower) since 30th March 2017.

16.13 **Pari passu ranking**

Its payment obligations under the Finance Documents 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.

16.14 **No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings (including proceedings relating to any alleged or actual breach of the ISM Code or of the ISPS Code) of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of the Borrower's knowledge and belief) been started or threatened against the Borrower or any of its Subsidiaries.

16.15 **Sanctions**

As regards Sanctions:

- (a) None of the Obligors, any other member of the Group or any Affiliate of any of them is a Prohibited Person or is owned or controlled by, or acting directly or indirectly on behalf of or for the benefit of, a Prohibited Person and none of such persons owns or controls a Prohibited Person.
- (b) None of the Obligors has a Prohibited Person serving as a director, officer or employee.
- (c) No proceeds of the Loan shall be made available, directly or indirectly, to or for the benefit of a Prohibited Person or otherwise shall be, directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions.
- (d) Each Obligor, each other member of the Group and each Affiliate of any of them is in compliance with all Sanctions.

16.16 **Disclosure of Debts**

The Borrower has fully disclosed to the Agent details of all debts and liabilities (other than usual trade debts outstanding for less than forty-five (45) days), it being understood that public filings made with the SEC are deemed to be disclosed to the Agent. The Borrower is not aware of any other material debts or liabilities claimed against the Borrower, the Guarantors or any other member of the Group.

16.17 **Repetition**

The Repeating Representations are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the first of each month.

16.18 **No Registration**

Assuming the accuracy of the representations and warranties of each Lender contained in this Agreement, the issuance and sale of the Notes pursuant to this Agreement is exempt from registration requirements of the Securities Act, and neither the Borrower nor, to the knowledge of the Borrower, any authorized representative acting on its behalf, has taken or will take any action hereafter that would cause the loss of such exemption.

16.19 **No Integration**

Neither the Borrower nor any of its Affiliates have, directly or indirectly through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any "security" (as defined in the Securities Act) that is or will be integrated with the sale of the Notes in a manner that would require registration under the Securities Act.

16.20 **No Directed Selling Efforts**

Neither the Borrower nor any person acting on behalf of the Borrower has engaged in any "directed selling efforts" (as defined in Regulation S under the Securities Act) in the United States in respect of the Loan or the Notes, which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of the Loan or the Notes, including placing an advertisement in a publication with a general circulation in the United States, nor has it seen or been aware of any activity that, to its knowledge, constitutes directed selling efforts in the United States.

16.21 **Certain Fees**

There are no fees or commissions that are or will be payable by the Borrower to brokers, finders, or investment bankers with respect to the sale and purchase of the Loan or the Notes or the consummation of the transaction contemplated by this Agreement.

16.22 **Offering Materials**

Neither the Borrower nor any agents of the Borrower provided to potential lenders any offering materials in connection with the offer and sale of the Loan or the Notes.

16.23 **Foreign Private Issuer**

The Borrower is a foreign private issuer, as defined in Rule 405 promulgated under the Securities Act.

16.24 **Substantial U.S. Market Interest**

There is no "substantial U.S. market interest" (as such term is defined by Regulation S promulgated under the Securities Act) in the debt securities of the Borrower.

17 INFORMATION UNDERTAKINGS

The undertakings in this Clause 17 remain in force throughout the Security Period.

17.1 **Financial statements**

The Borrower shall supply to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 180 days after the end of each of its financial years its audited consolidated financial statements for that financial year; and
- (b) as soon as the same become available, but in any event within 90 days after the end of each quarter of each of its financial years its unaudited consolidated financial statements for that financial quarter.

17.2 **Compliance Certificate**

- (a) The Borrower shall supply to the Agent, with each set of financial statements delivered pursuant to paragraph (a) or (b) of Clause 17.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with each of the financial covenants in Clause 18 (*Financial covenants*) as at the date as at which those financial statements were drawn up.
- (c) Each Compliance Certificate shall be signed by the chief financial officer of the Borrower.

17.3 **Requirements as to financial statements**

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 17.1 (*Financial statements*) shall be certified by the chief financial officer of the Borrower as fairly representing its financial condition as at the date as at which those financial statements were drawn up.
- (b) The Borrower shall procure that each set of financial statements delivered pursuant to Clause 17.1 (*Financial statements*) is prepared in accordance with all applicable laws, the requirements of the United States Securities and Exchange Commission and GAAP.

17.4 **Information: miscellaneous**

The Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) at the same time as they are despatched, all documents dispatched by the Borrower to its shareholders (or any class of them) or its creditors generally and any documents filed with the United States Securities and Exchange Commission;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings (including proceedings relating to any alleged or actual breach of the ISM Code or of the ISPS Code) which are current, threatened or pending against any

member of the Group, and which might, if adversely determined, have a Material Adverse Effect; and

- (c) as soon as practicable after receiving the request, such further information regarding any Ship, its Insurances or the financial condition, business and operations of any member of the Group as any Finance Party (through the Agent) may reasonably request.

17.5 **Notification of default**

- (a) Each Obligor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).
- (b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by 2 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).

17.6 **Use of websites**

- (a) The Borrower may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (the "**Website Lenders**") which accept this method of communication by posting this information onto an electronic website designated by the Borrower and the Agent (the "**Designated Website**") if:
 - (i) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method, in which case it shall notify the Borrower in writing promptly after such consultation;
 - (ii) both the Borrower and the Agent are aware of the address of and any relevant password specifications for the Designated Website; and
 - (iii) the information is in a format previously agreed between the Borrower and the Agent.

If any Lender (a "**Paper Form Lender**") does not agree to the delivery of information electronically then the Agent shall notify the Borrower accordingly and the Borrower shall supply the information to the Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Borrower shall supply the Agent with at least one copy in paper form of any information required to be provided by it.

- (b) The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrower and the Agent.
- (c) The Borrower shall promptly upon becoming aware of its occurrence notify the Agent if:
 - (i) the Designated Website cannot be accessed due to technical failure;
 - (ii) the password specifications for the Designated Website change;
 - (iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;

- (iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
- (v) the Borrower becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If the Borrower notifies the Agent under paragraph (c)(i) or paragraph (c)(v) above, all information to be provided by the Borrower under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

- (d) Any Website Lender may request, through the Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Borrower shall comply with any such request within 10 Business Days.

17.7 **"Know your customer" checks**

- (a) If:
 - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or internal guideline made after the date of this Agreement;
 - (ii) any change in the status of an Obligor after the date of this Agreement; or
 - (iii) 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 paragraph (iii) 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, each Obligor shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) 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.

- (b) 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.

18 FINANCIAL COVENANTS

18.1 Borrowings

No Obligor shall incur any Financial Indebtedness except under the Finance Documents to which it is a party and under the Senior Loan Agreement. The Borrower shall also procure that no other member of the Group incurs any Financial Indebtedness.

18.2 Expenditure

No Obligor shall incur any expenditure, except for expenditure reasonably incurred in the ordinary course of owning, operating, maintaining and repairing a Ship.

18.3 Intentionally Omitted

18.4 Working Capital

The Obligors shall maintain adequate working capital for the efficient operation of this business and shall provide details thereof to the Agent on request (acting reasonably).

19 GENERAL UNDERTAKINGS

The undertakings in this Clause 19 remain in force throughout the Security Period.

19.1 Authorisations

Each Obligor 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 Authorisation required under any law or regulation of its jurisdiction of incorporation or the Approved Flag State of any Ship to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation or in the flag-state of any Ship of any Finance Document to which it is a party.

19.2 Compliance with laws

- (a) Each Obligor shall comply in all respects with all laws to which it may be subject, if (except as regards Sanctions, to which paragraph (b) below applies) failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.
- (b) Each member of the Group and shall comply, in all respect with all Sanctions.
- (c) As regards the Guarantors this Clause 19.2 is not a limitation of Clause 21.8, and *vice versa*.

19.3 Negative pledge

No Obligor shall (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets except for Permitted Security.

19.4 **No disposal of assets**

No Obligor will without the consent of the Agent (and the Borrower shall ensure that no other member of the Group will) transfer, lease or otherwise dispose of:

- (a) any Ship or any Subsidiary or 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,

19.5 **Merger**

No Obligor shall (and the Borrower shall ensure that no other member of the Group will) enter into any amalgamation, demerger, merger or corporate reconstruction.

19.6 **Change of business**

The Borrower shall procure that no substantial change is made to the general nature of the business of the Borrower or the Group from that carried on at the date of this Agreement.

19.7 **Acquisition of further tonnage**

The Obligors shall not and shall procure that none of their Subsidiaries shall acquire any further tonnage without the prior written consent of the Agent on behalf of the Lenders.

19.8 **Share capital**

The Borrower shall not purchase, cancel or redeem any of its share capital .

19.9 **Dividends**

The Borrower shall not make or pay any dividend or other distribution (in cash or in kind) in respect of its share capital.

19.10 **Investments**

No Obligor shall:

- (a) provide any form of credit or financial assistance to any person **Provided that** this shall not prevent or restrict the Borrower from (i) on lending loans to other Obligors for the purposes permitted in accordance with the terms of this Agreement and (ii) intra-group indebtedness between the Obligors;
- (a) acquire any shares or other securities.

19.11 **Hedging**

The Borrower shall not enter into any interest rate hedging arrangements.

19.12 **No Joint Venture**

No Obligor shall enter into or agree to enter into any joint venture or provide any assets or financial support to any joint venture.

19.13 **Intentionally omitted**

19.14 **Further assurance**

- (a) Each Obligor shall promptly, and in any event within the time period specified by the Security Trustee do all such acts (including procuring or arranging any registration, notarisation or authentication or the giving of any notice) or execute or procure execution of all such documents (including assignments, transfers, mortgages, charges, notices, instructions, acknowledgments, proxies and powers of attorney), as the Security Trustee may specify (and in such form as the Security Trustee may require in favour of the Security Trustee or its nominee(s)):
- (i) to create, perfect, vest in favour of the Security Trustee or protect the priority of the Security or any right of any kind created or intended to be created under or evidenced by the Finance Documents (which may include the execution of a mortgage, charge, assignment or other Security over all or any of the assets which are or are intended to be, the subject of the Security) or for the exercise of any rights, powers and remedies of any of the Finance Parties provided by or pursuant to the Finance Documents or by law;
 - (ii) to confer on the Security Trustee or confer on the Finance Parties Security over any property and assets of that Obligor located in any jurisdiction equivalent or similar to the Security intended to be conferred by or pursuant to the Finance Documents;
 - (iii) to facilitate or expedite the realisation and/or sale of the transfer of title to or the grant of, any interest in or right relating to the assets which are, or are intended to be, the subject of the Finance Documents or to exercise any power specified in any Finance Document in respect of which the Security has become enforceable; and/or
 - (iv) to enable or assist the Security Trustee to enter into any transaction to commence, defend or conduct any proceedings and/or to take any other action relating to any of the Finance Documents.
- (b) Each Obligor shall take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Trustee by or pursuant to the Finance Documents.
- (c) At the same time as an Obligor delivers to the Security Trustee any document executed by itself pursuant to this Clause 19.14, that Obligor shall deliver to the Security Trustee a certificate signed by two of that Obligor's directors or officers which shall:
- (i) Set out the text of a resolution of that Obligor's directors specifically authorising the execution of the document specified by the Security Trustee; and
 - (ii) State that either the resolution was duly passed at a meeting of the directors validly convened and held, throughout which a quorum of directors entitled to vote on the resolution was present, or that the resolution has been signed by all the directors or officers and is valid under the Obligor's articles of association or other constitutional documents.

19.15 **Listing**

The Borrower shall remain listed on the NASDAQ exchange.

20 INSURANCE

The undertakings in this Clause 20 remain in force throughout the Security Period.

20.1 **Definitions**

(a) In this Clause 20:

"**excess risks**" means, in relation to any Ship, the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which that Ship is assessed for the purpose of such claims.

"**obligatory insurances**" means, in relation to any Ship, all insurances effected, or which the Guarantor which owns that Ship is obliged to effect, under this Clause 20 or any other provision of this Agreement or of another Finance Document.

"**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 1 of the Institute Time Clauses (Hulls)(1/10/83) or clause 8 of the Institute Time Clauses (Hulls)(1/11/1995) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision.

"**war risks**" includes the risk of mines and all risks excluded by clause 23 of the Institute Time Clauses (Hulls)(1/10/83) or clause 24 of the Institute Time Clauses (Hulls) (1/11/1995).

(b) In this Clause 20, a reference to "**approved**" means approved in writing by the Agent acting on the instructions of the Lenders.

20.2 **Maintenance of obligatory insurances**

Each Guarantor shall keep the Ship owned by it insured at its expense against:

- (a) fire and usual marine risks (including hull and machinery and excess risks);
- (b) war risks;
- (c) protection and indemnity risks (without any exclusion for any Environmental Incident); and
- (d) any other risks against which the Agent acting on the instructions of the Lenders considers, having regard to practices and other circumstances prevailing at the relevant time, it would be reasonable for that Guarantor to insure and which are specified by the Agent by notice to that Guarantor.

20.3 **Terms of obligatory insurances**

Each Guarantor 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) together with the other Ships then subject to a Mortgage, 120% of the Loan and the Discount Premium Amount (and the Senior Loan and the Senior Discount Premium Amount); and
 - (ii) the market value of the Ship owned by it;
- (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;
- (d) in the case of protection and indemnity risks, in respect of the full tonnage of the Ship owned by it;
- (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.

20.4 **Further protections for the Finance Parties**

In addition to the terms set out in Clause 20.3 (*Terms of obligatory insurances*), each Guarantor shall procure that the obligatory insurances effected by it shall:

- (a) whenever the Agent requires, name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;
- (b) name the Security Trustee as loss payee with such directions for payment as the Agent may specify;
- (c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made without set-off, counterclaim or deductions or condition whatsoever;
- (d) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee or any other Finance Party; and
- (e) provide that the Security Trustee may make proof of loss if the Guarantor concerned fails to do so.

20.5 **Renewal of obligatory insurances**

Each Guarantor shall:

- (a) at least 14 days before the expiry of any obligatory insurance effected by it:
 - (i) notify the Agent of the brokers (or other insurers) and any protection and indemnity or war risks association through or with which that Guarantor proposes to renew that obligatory insurance and of the proposed terms of renewal; and
 - (ii) obtain the Agents' approval to the matters referred to in paragraph (a) (i) above;
- (b) at least 7 days before the expiry of any obligatory insurance effected by it, renew that obligatory insurance in accordance with the Agent's approval pursuant to paragraph (a) above; and
- (c) procure that the approved brokers and/or the approved war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Agent in writing of the terms and conditions of the renewal.

20.6 **Copies of policies; letters of undertaking**

Each Guarantor shall ensure that all approved brokers provide the Security Trustee 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 Agent and including, subject to customary practice in the market from time to time, 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 20.4 (*Further protections for the Finance Parties*);
- (b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with such loss payable clause;
- (c) they will advise the Agent immediately of any material change to the terms of the obligatory insurances;
- (d) they will notify the Agent, not less than 7 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Guarantor or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Agent 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 Ship owned by that Guarantor 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 Agent.

20.7 **Copies of certificates of entry**

Each Guarantor shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by it is entered provides the Security Trustee with:

- (a) a certified copy of the certificate of entry for that Ship;
- (b) a letter or letters of undertaking in such form as may be required by the Agent acting on the instructions of Lenders; 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 that Ship.

20.8 **Deposit of original policies**

Each Guarantor shall ensure that all policies relating to obligatory insurances effected by it are deposited with the approved brokers through which the insurances are effected or renewed.

20.9 **Payment of premiums**

Each Guarantor shall punctually pay all premiums or other sums payable in respect of the obligatory insurances effected by it and produce all relevant receipts when so required by the Agent or the Security Trustee.

20.10 **Guarantees**

Each Guarantor 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.

20.11 **Compliance with terms of insurances**

No Guarantor 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 under an obligatory insurance repayable in whole or in part; and, in particular:

- (a) each Guarantor 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 paragraph (c) of Clause 20.6 (*Copies of policies; letters of undertaking*)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Agent has not given its prior approval;
- (b) no Guarantor 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) if applicable, each Guarantor shall make (and promptly supply copies to the Agent 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 Guarantor 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.

20.12 Alteration to terms of insurances

No Guarantor shall either make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance which would cause that Guarantor to be in breach of this Clause 20.

20.13 Settlement of claims

No Guarantor 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 Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

20.14 Provision of information

Each Guarantor shall promptly provide the Agent (or any persons which it may designate) with any information which the Agent (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 20.15 (*Mortgagee's interest and additional perils insurances*) or dealing with or considering any matters relating to any such insurances,

and the Borrower shall, forthwith upon demand, indemnify the Security Trustee in respect of all fees and other expenses incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a) above.

20.15 Mortgagee's interest and additional perils insurances

The Security Trustee shall be entitled from time to time to effect, maintain and renew a mortgagee's interest marine insurance in an amount equal to 120% of the Available Facility Limit and on such terms, through such insurers and generally in such manner as the Security Trustee acting on the instructions of the Lenders may from time to time consider appropriate and the Borrower shall upon demand fully indemnify the Security Trustee in respect of all premiums and other expenses which are 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.

21 SHIP COVENANTS

The undertakings in this Clause 21 remain in force throughout the Security Period.

21.1 Ships' names and registration

Each Guarantor 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 of the Ship owned by it without the Agent's prior written consent, such consent not to be unreasonably withheld.

21.2 **Repair and classification**

Each Guarantor 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 the highest classification available to ships of the same type, specification and age as that Ship with a classification society which is a member of the International Association of Classification Societies free of overdue recommendations and conditions affecting that Ship's class; and
- (c) so as to comply with all laws and regulations applicable to vessels registered on the relevant Approved Flag 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.

21.3 **Modification**

No Guarantor shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on it which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce its value.

21.4 **Removal of parts**

No Guarantor 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 in favour of any person other than the Security Trustee and becomes on installation on that Ship the property of the Guarantor concerned and subject to the security constituted by the Mortgage **Provided that** a Guarantor may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

21.5 **Surveys**

Each Guarantor shall submit the Ship owned by it regularly to all periodic or other surveys which may be required for classification purposes and, if so required by the Agent acting on the instructions of the Lenders provide the Agent, with copies of all survey reports.

21.6 **Inspection**

Each Guarantor shall permit the Security Trustee (acting through 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.

21.7 **Prevention of and release from arrest**

Each Guarantor 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 or its Insurances;
- (b) all taxes, dues and other amounts charged in respect of the Ship owned by it or its Insurances; and
- (c) all other outgoings whatsoever in respect of the Ship owned by it or its Insurances,

and, forthwith upon receiving notice of the arrest of the Ship owned by it, or of its detention in exercise or purported exercise of any lien or claim, that Guarantor shall procure its release by providing bail or otherwise as the circumstances may require.

21.8 **Compliance with laws etc.**

Each Guarantor shall:

- (a) comply, or procure compliance with all laws or regulations relating to the ownership, employment, operation and management of the Ship owned by it, including but not limited to the ISM Code, the ISPS Code, all Environmental Laws and all Sanctions;
- (b) without prejudice to the generality of paragraph (a) of this Clause 21.8, not employ the Ship owned by it nor allow its employment in any manner contrary to any laws or regulations including but not limited to the ISM Code, the ISPS Code, all Environmental Laws and all Sanctions; and
- (c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by that Ship's war risks insurers unless the prior written consent of the Security Trustee acting on the instructions of the Lenders has been given and that Guarantor has (at its expense) effected any special, additional or modified insurance cover which the Security Trustee acting on the instructions of the Lenders may require.

21.9 **Provision of information**

Each Guarantor shall promptly provide the Agent with any information which it requests regarding:

- (a) the Ship owned by it, its employment, position and engagements;
- (b) the Earnings of the Ship owned by it and payments and amounts due to its master and crew;
- (c) any expenditure incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made by it in respect of that Ship;
- (d) any towages and salvages; and
- (e) its compliance, the Approved Manager's compliance and the compliance of the Ship owned by it with the ISM Code and the ISPS Code,

and, upon the Agent's request, provide copies of any current charter relating to the Ship owned by it, of any current guarantee of any such charter and of that Ship's Safety Management Certificate and any relevant Document of Compliance.

21.10 Notification of certain events

Each Guarantor shall immediately notify the Agent by fax, confirmed forthwith by letter, of:

- (a) any casualty to the Ship owned by it which is or is likely to be or to become a Major Casualty;
- (b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;
- (c) any requirement or recommendation made in relation to the Ship owned by it by any insurer or classification society or by any competent authority which is not immediately complied with;
- (d) any arrest or detention of the Ship owned by it, 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 the Ship owned by it;
- (f) any Environmental Claim made against that Guarantor or in connection with the Ship owned by it, or any Environmental Incident;
- (g) any claim for breach of the ISM Code or the ISPS Code being made against that Guarantor, the Approved Manager or otherwise in connection with the Ship owned by it; 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 that Guarantor shall keep the Agent advised in writing on a regular basis and in such detail as the Agent shall require of that Guarantor's, the Approved Manager's or any other person's response to any of those events or matters.

21.11 Restrictions on chartering, appointment of managers etc.

Except as the Agent may otherwise permit, no Guarantor 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, 13 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 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 it in an amount exceeding or likely to exceed \$1,000,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee 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 other than any Permitted Security.

21.12 Notice of Mortgage

Each Guarantor shall keep the Mortgage registered against the Ship owned by it as a valid preferred mortgage, carry on board that Ship a certified copy of the Mortgage and place and maintain in a conspicuous place in the navigation room and the master's cabin of that Ship a framed printed notice stating that that Ship is mortgaged by that Guarantor to the Security Trustee.

21.13 Sharing of Earnings

No Guarantor shall enter into any agreement or arrangement for the sharing of any Earnings of the Ship owned by it.

21.14 Sanctions and Ship Trading

Without limiting Clause 21.8 (*Compliance with laws etc.*), the Obligor shall procure:

- (a) that no Ship shall be used by or for the benefit of a Prohibited Person;
- (b) that no Ship shall be used in trading in any manner contrary to Sanctions (or which could be contrary to Sanctions if Sanctions were binding on each Obligor);
- (c) that no Ship shall be traded in any manner which would trigger the operation of any sanctions limitation or exclusion clause (or similar) in the Insurances; and
- (d) that each charterparty in respect of a Ship shall contain, for the benefit of the relevant Obligor, language which gives effect to the provisions of paragraph (c) of Clause 21.8 (*Compliance with laws etc.*) as regards Sanctions and of this Clause 21.14 (*Sanctions and Ship trading*) and which permits refusal of employment or voyage orders if compliance would result in a breach of Sanctions (or which would result in a breach of Sanctions if Sanctions were binding on each Obligor).

22 APPLICATION OF EARNINGS

22.1 Payment of Earnings

Each Guarantor shall ensure that all the Earnings of the Ship owned by it are promptly collected and lawfully applied in accordance with this Agreement and subject to the Intercreditor Agreement.

23 EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 23 is an Event of Default.

23.1 **Non-payment**

An Obligor does not pay on the due date any amount payable pursuant to 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 administrative or technical error; and
- (b) payment is made within 2 Business Days of its due date.

23.2 **Certain obligations**

Any requirement of Clause 18 (*Financial covenants*), Clause 19.2 (*Compliance with laws*), Clause 19.5 (*Listing*), Clause 22 (*Insurance*), Clause 21.8 (*Compliance with laws etc.*), Clause 21.14 (*Sanctions and Ship Trading*) is not satisfied.

23.3 **Other obligations**

- (a) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 23.1 (*Non-payment*) and Clause 23.2 (*Certain obligations*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 days of the earlier of (A) the Agent giving notice to the Borrower and (B) the Borrower becoming aware of the failure to comply.

23.4 **Misrepresentation**

Any representation or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of any Obligor 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 made.

23.5 **Cross default**

- (a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
- (d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).

No Event of Default will occur under this Clause 23.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than \$100,000 (or its equivalent in any other currency).

23.6 **Insolvency**

- (a) 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 indebtedness.
- (b) The value of the assets of any member of the Group is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of any member of the Group.

23.7 **Insolvency proceedings**

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group other than a solvent liquidation or reorganisation of any member of the Group which is not an Obligor;
- (b) a composition, compromise, assignment or arrangement with any creditor of any member of the Group;
- (c) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not an Obligor), receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any member of the Group or any of its assets; or
- (d) enforcement of any Security over any assets of any member of the Group,

or any analogous procedure or step is taken in any jurisdiction.

This Clause 23.7 shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement.

23.8 **Creditors' process**

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group and is not discharged within 30 days.

23.9 **Ownership of the Obligors**

An Obligor (other than the Borrower) is not or ceases to be a wholly owned Subsidiary of the Borrower.

23.10 **Unlawfulness**

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents to which it is a party.

23.11 **Ranking of security**

Any Security created by a Finance Document proves to have been or becomes invalid or unenforceable or such Security proves to have ranked after, or loses its priority to, other Security.

23.12 **Repudiation**

An Obligor repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

23.13 **Material adverse change**

Any event or circumstance occurs which the Lenders reasonably believe has or is reasonably likely to have a Material Adverse Effect.

23.14 **Acceleration**

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Lenders, by notice to the Borrower:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents and the Discount Premium Amount be immediately or in accordance with the terms of such notice due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loan and the Discount Premium Amount be payable on demand, whereupon they shall immediately become payable on demand by the Agent acting on the instructions of the Lenders.

23.15 **Enforcement of security**

On and at any time after the occurrence of an Event of Default which is continuing the Security Trustee may, and shall if so directed by the Lenders, take any action which, as a result of the Event of Default or any notice served under Clause 23.14 (*Acceleration*) the Security Trustee is entitled to take under any Finance Document or any applicable law or regulation, subject to the terms of the Intercreditor Agreement.

SECTION 9
CHANGES TO PARTIES

24 CHANGES TO THE LENDERS

24.1 Assignments and transfers by the Lenders

Subject to this Clause 24, a Lender (the "**Existing Lender**") may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,

under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (or a special purpose vehicle owned by such an institution (the "**New Lender**").

24.2 Conditions of assignment or transfer

- (a) An assignment will only be effective on:
 - (i) receipt by the Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was a Lender; and
 - (ii) performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.
- (b) A transfer will only be effective if the procedure set out in Clause 24.5 (*Procedure for transfer*) is complied with.
- (c) If:
 - (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
 - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities*,

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under that Clause to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This paragraph (c) shall not apply in respect of an assignment or transfer made in the ordinary course of the primary syndication of the Facility.

- (d) Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

24.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of \$5,000.

24.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of any Obligor;
 - (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
- and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
- (i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 24; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

24.5 **Procedure for transfer**

- (a) Subject to the conditions set out in Clause 24.2 (*Conditions of assignment or transfer*), a transfer is effected in accordance with paragraph (b) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with this Agreement and delivered in accordance with this Agreement, execute that Transfer Certificate.
- (b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) Subject to Clause 24.9 (*Pro rata interest settlement*), on the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents, each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the "**Discharged Rights and Obligations**");
 - (ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;
 - (iii) the Agent, the Security Trustee, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Security Trustee and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
 - (iv) the New Lender shall become a Party as a "Lender".

24.6 **Procedure for assignment.**

- (a) Subject to the conditions set out in Clause 24.2 (*Conditions of assignment or transfer*) an assignment may be effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.
- (b) The Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.
- (c) Subject to Clause 24.9 (*Pro rata interest settlement*), on the Transfer Date:

- (i) the Existing Lender will assign absolutely to the New Lender the rights under the Finance Documents expressed to be the subject of the assignment in the Assignment Agreement;
 - (ii) the Existing Lender will be released by each Obligor and the other Finance Parties from the obligations owed by it (the "**Relevant Obligations**") and expressed to be the subject of the release in the Assignment Agreement; and
 - (iii) the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations.
- (d) Lenders may utilise procedures other than those set out in this Clause 24.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligor or unless in accordance with Clause 24.5 (*Procedure for transfer*), to obtain a release by that Obligor from the obligations owed to that Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in Clause 24.2 (*Conditions of assignment or transfer*).

24.7 Copy of Transfer Certificate or Assignment Agreement to Borrower

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrower a copy of that Transfer Certificate or Assignment Agreement.

24.8 Security over Lenders' rights. In addition to the other rights provided to Lenders under this Clause 24, each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and
- (b) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities;

except that no such charge, assignment or Security shall:

- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security for the Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by any Obligor or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

24.9 **Pro rata interest settlement**

If the Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lender then (in respect of any transfer pursuant to Clause 24.5 (*Procedure for transfer*) or any assignment pursuant to Clause 24.6 (*Procedure for assignment*) the Transfer Date of which, in each case, is after the date of such notification):

- (a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date ("**Accrued Amounts**") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the next due date for payment of interest in accordance with Clause 8.2; and
- (b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
 - (i) when the Accrued Amounts become payable, the Accrued Amounts will be payable to the Existing Lender; and
 - (ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 24.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

25 CHANGES TO THE OBLIGORS

25.1 **Assignments and transfer by Obligors**

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

SECTION 10
THE FINANCE PARTIES

26 ROLE OF THE SERVICING PARTIES

26.1 Appointment of the Agent

- (a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each other Finance Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to the Agent under, or in connection with, the Finance Documents together with any other incidental rights, powers, authorities and discretions.

26.2 Duties of the Agent

- (a) Subject to paragraph (b) below, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Without prejudice to Clause 24.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrower*), paragraph (a) above shall not apply to any Transfer Certificate or to any Assignment Agreement.
- (c) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (d) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Lenders.
- (e) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent) under this Agreement it shall promptly notify the other Finance Parties.
- (f) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

26.3 No fiduciary duties

- (a) Neither the Agent nor the Security Trustee shall have any duties or obligations to any person under this Agreement or the other Finance Documents except to the extent that they are expressly set out in those documents; and neither Servicing Party shall have any liability to any person in respect of its obligations and duties under this Agreement or the other Finance Documents except as expressly set out in Clauses 26.5 and 26.6, and as excluded or limited by Clauses 26.12, 26.13, 26.14 and 26.15.
- (b) The provisions of Clause 26.4(a) shall apply even if, notwithstanding and contrary to Clause 26.4(a), any provision of this Agreement or any other Finance Document by operation of law has the effect of constituting the Agent as a fiduciary.

26.4 **Duties of the Security Trustee**

The Security Trustee shall:

- (a) hold the Trust Property on trust for the Finance Parties in accordance with their respective entitlements under the Finance Documents; and
 - (b) deal with the Trust Property,
- in accordance with this Clause 26 and the other provisions of the Finance Documents.

26.5 **Application of receipts**

Except as expressly stated to the contrary in any Finance Document, any moneys which the Security Trustee receives or recovers and which are Trust Property shall (without prejudice to the rights of the Security Trustee under any Finance Document to credit any moneys received or recovered by it to any suspense account) be transferred to the Agent for application in accordance with Clause 29.2 (*Distributions by the Agent*) and Clause 29.5 (*Partial payments*).

26.6 **Deductions from receipts**

Before transferring any moneys to the Agent under Clause 26.5 (*Application of receipts*), the Security Trustee may deduct any sum then due and payable under this Agreement or any other Finance Document to the Security Trustee or any receiver, agent or other person appointed by it and retain that sum for itself or, as the case may require, pay it to the other person to whom it is then due and payable; for this purpose if the Security Trustee has become entitled to require a sum to be paid to it on demand, that sum shall be treated as due and payable, even if no demand has yet been served.

26.7 **Agent and Security Trustee the same person**

Where the same person is the Security Trustee and the Agent, it shall be sufficient compliance with Clause 26.5 (*Application of receipts*) for the moneys concerned to be credited to the account to which the Agent remits or credits the amounts which it receives from the Borrower under this Agreement for distribution to the Lenders.

26.8 **Additional statutory rights**

In addition to its rights under or by virtue of this Agreement and the other Finance Documents, the Security Trustee shall have all the rights conferred on a trustee by the Trustee Act 1925, the Trustee Delegation Act 1999 and by the Trustee Act 2000.

26.9 **Perpetuity period**

The trusts constituted by this Agreement are governed by English law, and the applicable perpetuity period is 75 years commencing on the date of this Agreement.

26.10 **Business with the Group**

The Agent and the Security Trustee may accept deposits from, lend money to, and generally engage in any kind of banking or other business with, any member of the Group.

26.11 **Rights and discretions of the Servicing Parties**

- (a) Each Servicing Party may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) Each Servicing Party may assume (unless it has received notice to the contrary in its capacity as agent or, as the case may be, trustee for the Lenders) that:
 - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 23.1 (*Non-payment*));
 - (ii) any right, power, authority or discretion vested in any Party or the Lenders has not been exercised; and
 - (iii) any notice or request made by the Borrower (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.
- (c) Each Servicing Party may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) Each Servicing Party may act in relation to the Finance Documents through its personnel and agents.
- (e) Each Servicing Party may disclose to any other Party any information it reasonably believes it has received as agent or security trustee under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, no Servicing Party is obliged to do or omit to do anything if it would or might, in its reasonable opinion, constitute a breach of any law or regulation or a breach of a duty of confidentiality.

26.12 **Lenders' instructions**

- (a) Unless a contrary indication appears in a Finance Document, each Servicing Party shall:
 - (i) exercise any right, power, authority or discretion vested in it as Servicing Agent in accordance with any instructions given to it by the Lenders (or, if so instructed by the Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent or the Security Trustee); and
 - (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Lenders will be binding on all the Finance Parties.
- (c) Each Servicing Party may refrain from acting in accordance with the instructions of the Lenders (or, if appropriate, the Lenders) until it has received such security as it may require

for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.

- (d) In the absence of instructions from the Lenders (or, if appropriate, the Lenders), each Servicing Party may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

26.13 **Responsibility for documentation**

None of the Agent and the Security Trustee:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Security Trustee, an Obligor or any other person given in, or in connection with, any Finance Document or the Information Memorandum; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into or made or executed in anticipation of, or in connection with, any Finance Document; or
- (c) is responsible for any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

26.14 **Exclusion of liability**

- (a) Without limiting paragraph (b) below, neither Servicing Party will be liable (including, without limitation, for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party may take any proceedings against any officer, employee or agent of a Servicing Party in respect of any claim it might have against the Servicing Party concerned or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and each officer, employee or agent of a Servicing Party may rely on this Clause subject to Clause 1.4 (*Third party rights*) and the provisions of the Third Parties Act.
- (c) A Servicing Party will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.
- (d) Nothing in this Agreement shall oblige either Servicing Party to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to each Servicing Party that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent, the Security Trustee.

26.15 **Lenders' indemnity to the Servicing Parties**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify each Servicing Party, within 3 Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Servicing Party concerned (otherwise than by reason of its gross negligence or wilful misconduct) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent or Security Trustee under the Finance Documents (unless the Agent or Security Trustee has been reimbursed by an Obligor pursuant to a Finance Document).

26.16 **Resignation of a Servicing Party**

- (a) A Servicing Party may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrower.
- (b) Alternatively, a Servicing Party may resign by giving 30 days' notice to the other Finance Parties and the Borrower, in which case the Lenders may appoint a successor Agent or Security Trustee.
- (c) If the Lenders have not appointed a successor Agent or Security Trustee in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Agent or Security Trustee may appoint a successor Agent or Security Trustee.
- (d) The retiring Agent or Security Trustee shall, at its own cost, make available to the successor Agent or Security Trustee such documents and records and provide such assistance as the successor Agent or Security Trustee may reasonably request for the purposes of performing its functions as Agent or Security Trustee under the Finance Documents.
- (e) A Servicing Party's resignation notice shall only take effect upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Servicing Party shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 26. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) The Lenders may, by notice to a Servicing Party, require it to resign in accordance with paragraph (b) above. In this event, the Servicing Party shall resign in accordance with paragraph (b) above.

26.17 **Confidentiality**

- (a) In acting as agent or, as the case may be, trustee for the Finance Parties, a Servicing Party shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by a division or department of a Servicing Party other than that division or department responsible for complying with the obligations assumed by that Servicing Party under the Finance Documents, that information may be treated as

confidential to that division or department, and the Servicing Party concerned shall not be deemed to have notice of it nor shall it be obliged to disclose such information to any Party.

26.18 Relationship with the Lenders

(a) Subject to Clause 24.9 (*Pro rata Interest Settlement*), the Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

- (i) entitled to or liable for any payment due under any Finance Document on that day; and
- (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day;

unless it has received not less than 5 Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 31.5 (*Electronic communication*)) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 31.2 (*Addresses*) and paragraph (a)(iii) of Clause 31.5 (*Electronic communication*) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

26.19 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Security Trustee that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under, or in connection with, any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under, or in connection with, any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

- (d) the adequacy, accuracy and/or completeness of the Information Memorandum and any other information provided by the Agent, the Security Trustee, any Party or by any other person under, or in connection with, any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

26.20 **Deduction from amounts payable by the Agent**

If any Party owes an amount to the Agent under the Finance Documents, the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

26.21 **Full freedom to enter into transactions**

Notwithstanding any rule of law or equity to the contrary, each Servicing Party shall be absolutely entitled:

- (a) to enter into and arrange banking, derivative, investment and/or other transactions of every kind with or affecting the Borrower or any person who is party to, or referred to in, a Finance Document (including, but not limited to, any interest or currency swap or other transaction, whether related to this Agreement or not, and acting as syndicate agent and/or security trustee for, and/or participating in, other facilities to the Borrower or any person who is party to, or referred to in, a Finance Document);
- (b) to deal in and enter into and arrange transactions relating to:
 - (i) any securities issued or to be issued by the Borrower or any such other person; or
 - (ii) any options or other derivatives in connection with such securities; and
- (c) to provide advice or other services to the Borrower or any person who is a party to, or referred to in, a Finance Document,

and, in particular, each Servicing Party shall be absolutely entitled, in proposing, evaluating, negotiating, entering into and arranging all such transactions and in connection with all other matters covered by paragraphs (a), (b) and (c) above, to use (subject only to insider dealing legislation) any information or opportunity, howsoever acquired by it, to pursue its own interests exclusively, to refrain from disclosing such dealings, transactions or other matters or any information acquired in connection with them and to retain for its sole benefit all profits and benefits derived from the dealings transactions or other matters.

26.22 **Representations of Lenders**

Each Lender, severally and not jointly, hereby represents and warrants to the Borrower that:

(a) **Certain Fees**

No fees or commissions are or will be payable by such Lender to brokers, finders, or investment bankers with respect to the purchase of the Loan or the issuance of the Notes or the consummation of the transaction contemplated by this Agreement or the other agreements contemplated hereby. Such Lender agrees that it will indemnify and hold harmless the

Borrower from and against any and all claims, demands, or liabilities for broker's, finder's, placement, or other similar fees or commissions incurred by such Lender in connection with the purchase of the Loan or the issuance of the Notes or the consummation of the transactions contemplated by this Agreement.

(b) **Legend**

Such Lender understands that the Notes will bear a legend in substantially the following form:

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THIS PROMISSORY NOTE MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR IS EXEMPT THEREFROM.

(c) **Transfer or Resale**

Such Lender understands that: (i) the Loan and the Notes have not been and are not being registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) pursuant to an exemption from such registration; (ii) any sale of the Notes made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144, and further, if Rule 144 is not applicable, any resale of the Notes under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder; and (iii) neither the Borrower nor any other person is under any obligation to register the Notes under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder. If such Lender should in the future decide to dispose of any portion of the Notes, such Lender understands and agrees that stop-transfer instructions to that effect will be in effect with respect to such Notes to ensure compliance with this Clause. Such Lender further understands and agrees that there is no public trading market for the Notes, that none is expected to develop, and that the Notes must be held indefinitely unless and until it is repaid in full or the sale is registered under the Securities Act or an exemption from registration is available.

(d) **Offering Materials**

Such Lender did not receive from the Borrower or its agent any offering materials in connection with offers and sales of the Loan.

(e) **Non-U.S. Lender Representations and Warranties**

If the Lender is not located in the United States (as defined in Regulation S promulgated under the Securities Act) when it was offered the opportunity to purchase the Loan and when

it signed this Agreement, and is not a U.S. person (as defined in Regulation S promulgated under the Securities Act):

(i) Offshore Transaction.

At the time such Lender received the offer to purchase the Loan and the Notes, it was not in the United States. Such Lender is not a U.S. person (as defined in Regulation S promulgated under the Securities Act) and is not acquiring the Notes for the account or benefit of any U.S. person. Such Lender's receipt and execution of each of this Agreement and the documents contemplated hereby, and any other agreement relating hereto or thereto, has occurred or will occur outside the United States. Such Lender understands and acknowledges that the offering and sale of the Notes is not being, and will not be, made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States.

(ii) No Directed Selling Efforts

Such Lender is not aware of any form of "directed selling efforts" (as defined in Regulation S promulgated under the Securities Act) in the United States in respect of the Loan or the Notes, which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of the Loans or the Notes, including placing an advertisement in a publication with a general circulation in the United States.

27 CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

28 SHARING AMONG THE FINANCE PARTIES

28.1 Payments to Finance Parties

If a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from an Obligor other than in accordance with Clause 29 (*Payment mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within 3 Business Days, notify details of the receipt or recovery, to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 29 (*Payment mechanics*),

without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

- (c) the Recovering Finance Party shall, within 3 Business Days of demand by the Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 29.5 (*Partial payments*).

28.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it among the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 29.5 (*Partial payments*) towards the obligations of that Obligor to the Sharing Finance Parties.

28.3 Recovering Finance Party's rights

On a distribution by the Agent under Clause 28.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from an Obligor, as between the relevant Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.

28.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and
- (b) as between the relevant Obligor and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.

28.5 Exceptions

- (a) This Clause 28 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (ii) the other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

SECTION 11
ADMINISTRATION

29 PAYMENT MECHANICS

29.1 Payments to the Agent

- (a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Agent specifies.

29.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 29.3 (*Distributions to an Obligor*) and Clause 29.4 (*Clawback*) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than 5 Business Days' notice with a bank in the principal financial centre of the country of that currency.

29.3 Distributions to an Obligor

The Agent may (with the consent of the Obligor or in accordance with Clause 30 (*Set-off*)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

29.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

29.5 Partial payments

- (a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Agent shall apply that payment towards the obligations of that Obligor under the Finance Documents unless otherwise provided in this Agreement or in the Intercreditor Agreement in the following order:

- (i) **first**, in or towards payment pro rata of any unpaid costs and expenses (including legal fees) of the Agent and the Security Trustee under the Finance Documents;
- (ii) **secondly**, in or towards payment pro rata of any accrued interest or fees due but unpaid under this Agreement;
- (iii) **thirdly**, in or towards payment pro rata of any principal due in respect of the Loan but unpaid under this Agreement;
- (iv) **fourthly**, in or towards payment of any amount unpaid in respect of the Discount Premium Amount;
- (v) **fifthly**, in release to the Borrower.

(b) Paragraph (a) above will override any appropriation made by an Obligor.

29.6 No set-off by Obligors

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

29.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or an Unpaid Sum under this Agreement interest is payable on the principal at the rate payable on the original due date.

29.8 Currency of account

- (a) Subject to paragraphs (b) to (c) below, dollars is the currency of account and payment for any sum due from an Obligor under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (c) Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency.

29.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

- (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

30 SET-OFF

A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

31 NOTICES

31.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

31.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents are:

- (a) in the case of the Borrower, that identified with its name below;
- (b) in the case of each Lender or any other Obligor, that notified in writing to the Agent on or before the date on which it becomes a Party;
- (c) in the case of the Agent, that identified with its name below; and
- (d) in the case of the Security Trustee, that identified with its name below,

or any substitute address or fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than 5 Business Days' notice.

31.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or 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 31.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Agent or the Security Trustee will be effective only when actually received by the Agent or the Security Trustee and then only if it is expressly marked for the attention of the department or officer identified with the Agent's or the Security Trustee's signature below (or any substitute department or officer as the Agent or the Security Trustee shall specify for this purpose).
- (c) All notices from or to an Obligor shall be sent through the Agent.
- (d) Any communication or document made or delivered to the Borrower in accordance with this Clause will be deemed to have been made or delivered to each of the Obligors.

31.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 31.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

31.5 Electronic communication

- (a) Any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

31.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) 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.

32 CALCULATIONS AND CERTIFICATES

32.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

32.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

32.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

33 PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents 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.

34 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy 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.

35 AMENDMENTS AND WAIVERS

35.1 Required consents

- (a) Subject to Clause 35.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Lenders and the Obligors and any such amendment or waiver will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause.

35.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) a postponement to the date of payment of any amount under the Finance Documents;

- (ii) a reduction in the amount of any payment of principal, interest, fees or commission payable;
- (iii) an increase in any Commitment;
- (iv) a change to the Borrower or Guarantors other than in accordance with Clause 25 (*Changes to the Obligors*);
- (v) any provision which expressly requires the consent of all the Lenders;
- (vi) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 24 (*Changes to the Lenders*) or this Clause 35 (*Amendment and waivers*); or
- (vii) the nature or scope of the guarantee and indemnity granted under Clause 15 (*Guarantee and Indemnity*),

shall not be made without the prior consent of all the Lenders.

- (b) An amendment or waiver which relates to the rights or obligations of the Agent or the Security Trustee (each in their capacity as such) may not be effected without the consent of the Agent, the Security Trustee.

36 CONFIDENTIALITY

36.1 **Confidential Information.** Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 36.2 (*Disclosure of Confidential Information*) and Clause 36.3 (*Disclosure to numbering service providers*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

36.2 **Disclosure of Confidential Information.** Any Finance Party may disclose:

- (a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;
- (b) to any person:
 - (i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
 - (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

- (iii) appointed by any Finance Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under paragraph (c) of Clause 26.18 (*Relationship with the Lenders*));
- (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;
- (v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law, rule or regulation including without limitation the rules or regulations of the United States Securities and Exchange Commission;
- (vi) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 24.8 (*Security over Lenders' rights*);
- (vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitrations, administrative or other investigations, proceedings or disputes;
- (viii) who is a Party; or
- (ix) with the consent of the Borrower;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

- (A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
 - (B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;
 - (C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;
- (c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of

participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered in to a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the and the relevant Finance Party;

- (d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Obligors if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information.
- (e) to any investor or potential investor in a securitisation (or similar transaction of broadly equivalent economic effect of that Finance Party's rights and obligations under the Finance Documents) the size and term of the Facility and the name of each of the Obligors.

36.3 Disclosure to numbering service providers.

- (a) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facility and/or one or more Obligors the following information:
 - (i) names of Obligors;
 - (ii) country of domicile of Obligors;
 - (iii) place of incorporation of Obligors;
 - (iv) date of this Agreement;
 - (v) the name of the Agent;
 - (vi) date of each amendment and restatement of this Agreement;
 - (vii) amount of Total Commitments;
 - (viii) currency of the Facility;
 - (ix) type of Facility;
 - (x) ranking of Facility;
 - (xi) Termination Date for Facility;
 - (xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above; and
 - (xiii) such other information agreed between such Finance Party and the Borrower,to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

- (b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facility and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.
 - (c) Each Obligor represents that none of the information set out in paragraphs (i) to (xiii) of paragraph (a) above is, nor will at any time be, unpublished price-sensitive information.
 - (d) The Agent shall notify the Borrower and the other Finance Parties of:
 - (i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Facility and/or one or more Obligors; and
 - (ii) the number or, as the case may be, numbers assigned to this Agreement, the Facility and/or one or more Obligors by such numbering service provider.
- 36.4 **Entire agreement.** This Clause 36 (*Confidentiality*) constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.
- 36.5 **Inside information.** Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.
- 36.6 **Notification of disclosure.** Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrower:
- (a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 36.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
 - (b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 36 (*Confidentiality*).
- 36.7 **Continuing obligations.** The obligations in this Clause 36 (*Confidentiality*) are continuing and , in particular, shall survive and remain binding on each Finance Party for a period of 12 months from the earlier of:
- (a) the date on which all amounts payable by the Obligors under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and
 - (b) the date on which such Finance Party otherwise ceased to be a Finance Party.

37 COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

SECTION 12

GOVERNING LAW AND ENFORCEMENT

38 GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

39 ENFORCEMENT

39.1 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 39.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

39.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):

- (a) irrevocably appoints Nicolaou & Co at its registered office for the time being (presently at 25 Heath Drive, Potters Bar, Herts, EN6 1EN, England) as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and
- (b) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

SECTION 13

INTERCREDITOR AGREEMENT

40 INTERCREDITOR AGREEMENT; CONFLICTS

Notwithstanding anything herein to the contrary, the lien and security interest granted to the Security Trustee pursuant to this Agreement are subordinate to those granted to Addiewell under the Senior Finance Documents. The lien and security interest granted to the Security Trustee pursuant to this Agreement and the exercise of any right or remedy by the Security Trustee hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern and control.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

THE PARTIES

PART I

THE OBLIGORS

Name of Borrower	Place of Incorporation/ Registered office
Diana Containerships Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960

Name of Guarantor	Place of Incorporation/ Registered office
Likiep Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960
Orangina Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960
Mago Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960

Dud Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960
Rongerik Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960
Langor Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960
Meck Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960
Eluk Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960
Oruk Shipping Company Inc.	Marshall Islands Trust Company Complex Ajeltake Island PO Box 1405 Majuro Marshall Islands MH96960

Delap Shipping Company Inc.

Marshall Islands
Trust Company Complex
Ajeltake Island
PO Box 1405
Majuro

Jabor Shipping Company Inc.

Marshall Islands MH96960
Marshall Islands
Trust Company Complex
Ajeltake Island
PO Box 1405
Majuro
Marshall Islands MH96960

SCHEDULE 1

THE PARTIES

PART II

LENDERS

Name of Lender	Lending Office	Loan Commitment
Diana Shipping Inc.	(t/b/a)	\$82,616,666.66

SCHEDULE 2

PART A

CONDITIONS PRECEDENT TO UTILISATION

1 Obligors

- (a) A copy of the constitutional documents of each Obligor.
- (b) A copy of a resolution of the executive committee of the Borrower and the board of directors of each Guarantor:
 - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
 - (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
 - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, a Utilisation Request) to be signed and/or despatched by it under, or in connection with, the Finance Documents to which it is a party.
- (c) A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above.
- (d) A copy of a resolution signed by all the holders of the issued shares in each Guarantor, approving the terms of, and the transactions contemplated by, the Finance Documents to which the Guarantor is a party.
- (e) A certificate of an authorised signatory of the relevant Obligor certifying that each copy document relating to it specified in this Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2 Notes

- (a) A duly executed original of the Notes.

3 Ships and other security

- (a) A duly executed original of the Mortgage and of the Insurance Assignment relating to each Ship together with documentary evidence that the Mortgage relating to each Ship has been duly registered as a valid preferred ship mortgage in accordance with the laws of the relevant Approved Flag State.

- (b) Documentary evidence that each Ship:
 - (i) is definitively and permanently registered in the name of a Guarantor under an Approved Flag;
 - (ii) is in the absolute and unencumbered ownership of a Guarantor save as contemplated by the Finance Documents;
 - (iii) maintains the highest classification available to ships of the same type, specification and age of such Ship with a classification society which is a member of the International Association of Classification Societies free of all overdue recommendations and conditions of such classification society affecting class; and
 - (iv) is insured in accordance with this Agreement and all requirements therein in respect of insurances have been complied with.
- (c) A duly executed original of the Intercreditor Agreement.

4 Other documents and evidence

- (a) Evidence that any process agent referred to in Clause 39.2 (*Service of process*) has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (c) The financial statements of the Borrower for the fiscal year ending 31 December 2016 and the fiscal quarter ending 31 March 2017 (provided that public filings made with the SEC containing such financial statements are deemed to have been delivered to the Agent).
- (d) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 14 (*Costs and expenses*) have been paid or will be paid by the Utilisation Date.
- (e) Such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself) in order for the Agent or such Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws, regulations and internal guidelines pursuant to the transactions contemplated in the Finance Documents.
- (f) Certified copies of each of the Warrants and the terms and conditions attaching to the Warrants.

5 Refinancing Mechanics

Such evidence as the Lender may require that save for the payment of the Loan amount to RBS, the Borrower and the Guarantors have no continuing obligation or liability to RBS whatsoever.

SCHEDULE 2

PART B

CONDITIONS SUBSEQUENT

1 Ships and other security

- (a) Documents establishing that each Ship will, as from the first Utilisation Date, be managed by the Approved Manager on terms acceptable to the Lenders, together with:
 - (i) a letter of undertaking (which shall constitute a Finance Document) executed by the Approved Manager in favour of the Security Trustee in terms required by the Agent subordinating the rights of the Approved Manager against the Obligors to the rights of the Finance Parties under the Finance Documents; and
 - (ii) copies of the Approved Manager's Document of Compliance and of each Ship's Safety Management Certificate (together with any other details of the applicable safety management system which the Agent requires) and ISSC.
- (b) A duly executed original of the Proceeds Assignment together with such documents and evidence as shall be required pursuant thereto.
- (c) A duly executed original of a Share Security in respect of each Guarantor (and of each document to be delivered under each such Share Security).

SCHEDULE 3

UTILISATION REQUEST

From: Diana Containerships Inc.

To: Diana Shipping Inc.

Dated: []

Dear Sirs

**Diana Containerships Inc. – Facility Agreement
dated [] 2017 (the "Agreement")**

- 1 We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
- 2 We wish to borrow the Loan on the following terms:

Proposed Utilisation Date:	[] (or, if that is not a Business Day, the next Business Day)
Amount:	[]
- 3 We confirm that each condition specified in Clause [] (*conditions precedent*) of the Agreement is satisfied on the date of this Utilisation Request.
- 4 The proceeds of this Loan should be credited to [*account*].
- 5 This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for
Diana Containerships Inc.

SCHEDULE 4

FORM OF TRANSFER CERTIFICATE

To: Diana Shipping Inc. as Agent

From: [*The Existing Lender*] (the "Existing Lender") and [*The New Lender*] (the "New Lender")

Dated: []

**Diana Containerships Inc. – Facility Agreement
dated [] 2017 (the "Agreement")**

- 1 We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
- 2 We refer to Clause 24.5 (*Procedure for transfer*) of the Agreement:
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 24.5 (*Procedure for transfer*) of the Agreement.
 - (b) The proposed Transfer Date is [] .
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 31.2 (*Addresses*) of the Agreement are set out in the Schedule.
- 3 The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 24.4 (*Limitation of responsibility of Existing Lenders*) of the Agreement.
- 4 This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
- 5 This Transfer Certificate is governed by English law.
- 6 This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

THE SCHEDULE

Commitment/rights and obligations to be transferred

*[insert relevant details]
[Facility Office address, fax number and attention details for notices and account
details for payments.]*

[Existing Lender]

[New Lender]

By:[]

By:[]

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as [] .

Diana Shipping Inc.

By:[]

SCHEDULE 5

FORM OF ASSIGNMENT AGREEMENT

To: Diana Shipping Inc. as Agent and Diana Containerships Inc. as Borrower, for and on behalf of each Obligor

From: [the *Existing Lender*] (the "**Existing Lender**") and [the *New Lender*] (the "**New Lender**")

Dated:

**Diana Containerships Inc. - Facility Agreement
dated [] 2017 (the "Agreement")**

- 1 We refer to the Agreement. This is an Assignment Agreement. Terms defined in the Agreement have the same meaning in this Assignment Agreement unless given a different meaning in this Assignment Agreement.
- 2 We refer to Clause 27.6 (*Procedure for assignment*):
 - (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Agreement and the other Finance Documents which relate to that portion of the Existing Lender's Commitments and participations in the Loan under the Agreement as specified in the Schedule.
 - (b) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender's Commitments and participations in the Loan under the Agreement specified in the Schedule.
 - (c) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b) above.
- 3 The proposed Transfer Date is [] .
- 4 On the Transfer Date the New Lender becomes Party to the Finance Documents as a Lender.
- 5 The Facility Office and address, fax, number and attention details for notices of the New Lender for the purposes of Clause 31.2 (*Addresses*) are set out in the Schedule.
- 6 The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 24.4 (*Limitation of responsibility of Existing Lenders*).
- 7 This Assignment Agreement acts as notice to the Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 24.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrower*), to the Borrower (on behalf of each Obligor) of the assignment referred to in this Assignment Agreement.
- 8 This Assignment Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Assignment Agreement.

9 This Assignment and any non-contractual obligations arising out of or in connection with it are governed by English law.

10 This Assignment Agreement has been entered into on the date stated at the beginning of this Assignment Agreement.

THE SCHEDULE

Rights to be assigned and obligations to be released and undertaken

[insert relevant details]

[Facility office address, fax number and attention details for notices and account details for payments]

[Existing Lender] [New Lender]

By: By:

This Assignment Agreement is accepted by the Agent and the Transfer Date is confirmed as [] .

Signature of this Assignment Agreement by the Agent constitutes confirmation by the Agent of receipt of notice of the assignment referred to herein, which notice the Agent receives on behalf of each Finance Party.

Dianna Shipping Inc.

By:

SIGNATORIES

Borrower

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
DIANA CONTAINERSHIPS INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

Guarantors

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
LIKIEP SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
ORANGINA INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens

Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
MAGO SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
DUD SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
RONGERIK SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975

Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
LANGOR SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
MECK SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
ELUK SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975

Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
ORUK SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
DELAP SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975
Attention: Mr S. P. Palios

SIGNED by Nicholas Kaasik) /s/ Nicholas Kaasik
for and on behalf of)
JABOR SHIPPING COMPANY INC.)
in the presence of: Sophia Agathis) /s/ Sophia Agathis

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +30210 942 4975

Attention: Mr S. P. Palios

Lender

SIGNED by Ioannis Zafirakis) /s/ Ioannis Zafirakis
for and on behalf of)
DIANA SHIPPING INC.)
in the presence of: Margarita Veniou) /s/ Margarita Veniou

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +302109470101
Attention: Ioannis Zafirakis

Agent

SIGNED by Ioannis Zafirakis) /s/ Ioannis Zafirakis
for and on behalf of)
DIANA SHIPPING INC.)
in the presence of: Margarita Veniou) /s/ Margarita Veniou

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +302109470101
Attention: Ioannis Zafirakis

Security Trustee

SIGNED by Ioannis Zafirakis) /s/ Ioannis Zafirakis
for and on behalf of)
DIANA SHIPPING INC.)
in the presence of: Margarita Veniou) /s/ Margarita Veniou

Address for notices:

Pendelis 16
175 64 Palaio Faliro
Athens
Greece

Fax Number: +302109470101
Attention: Ioannis Zafirakis

AMENDMENT AGREEMENT

Date: 18 May 2017

- 1 Reference is made to the loan agreement dated 2 October 2010 (as amended and supplemented by an amendment agreement dated 15 February 2017 and as further amended and/or supplemented from time to time) (the **Loan Agreement**) and entered into between, *inter alios*, (1) Lae Shipping Company Inc. and Namu Shipping Company Inc. as joint and several borrowers (the **"Borrowers"**), (2) Diana Shipping Inc. as guarantor (the **"Corporate Guarantor"**), (3) DNB Bank ASA (then known as DnB NOR BANK ASA) and The Export-Import Bank of China as arrangers, (4) DNB Bank ASA (then known as DnB NOR BANK ASA) as swap provider, (5) DNB Bank ASA (then known as DnB NOR BANK ASA) as security agent (the **"Security Agent"**), agent (the **"Agent"**) and account bank and (6) the banks and financial institutions referred to therein as lenders (the **"Banks"**), in relation to a loan of up to \$82,600,000.
- 2 Words and expressions defined in the Loan Agreement shall, unless the context otherwise requires or unless otherwise defined herein, have the same meanings when used in this Agreement.
- 3 The Creditors hereby agree, following the Borrowers' request, that, with effect from the date of this Agreement:
- (a) clauses 4.1.3, 4.1.4 and 4.5 of the Loan Agreement shall be amended (and are hereby amended) so as to read as follows:
 - "4.1.3 Notwithstanding clause 4.1.1 above, any individual Bank in its absolute and unfettered discretion (but acting through the Agent) shall be entitled to demand repayment in full of such Bank's Contribution in any or all Advances on 16 August 2019. If one or more Banks (acting through the Agent) exercise such right in respect of an Advance, the Borrowers shall be obliged to repay each such Bank's Contribution in that Advance in full on such date. In that case and unless the Borrowers have received such a written demand for an Advance from all Banks (in which case they will repay the full amount of that Advance on 16 August 2019), the Borrowers shall continue to repay the repayment instalments in respect of the balance of that Advance (namely excluding the Contribution of the Banks which will be repayable on 16 August 2019) on the same Repayment Dates as scheduled and specified in clause 4.1.1 for that Advance.
 - 4.1.4 The Banks shall be entitled to exercise their right under clause 4.1.3, whether in respect of one Advance only, or in respect of both Advances, and they can exercise it at separate times in respect of each Advance.
 - 4.1.5 If one or more Banks wish to exercise their right under clause 4.1.3 in respect of an Advance, the Agent shall send to the Borrowers a written demand to this effect in respect of that Advance by no later than 16 May 2019. Neither the Agent nor any Bank shall be obliged to assign any reason to any decision to demand such repayment of an Advance under clause 4.1.3 above."; and
 - (b) the following new clause 4.5.4 shall be (and is hereby) added before the existing clause 4.5.4 of the Loan Agreement, and the existing clauses 4.5.4 and 4.5.5 shall be renumbered (and are hereby renumbered) as clauses 4.5.5. and 4.5.6 respectively:
 - "4.5.4 For the avoidance of doubt, any partial prepayment of an Advance under clause 4.1.3 shall be applied in reduction (i) of the Contribution to such Advance of only those Banks which have exercised their right of demand under clause 4.1.3 and (ii) of the repayment instalments of the relevant Advance (including the relevant Balloon Instalment) under clause 4.1.1. pro rata."
-

- 4 The consent of the Creditors referred to in paragraph 3 above is given only on the condition and in consideration of the Borrowers and the Corporate Guarantor hereby agreeing with the Creditors that the Borrowers and the other Security Parties will comply or will procure compliance with the following terms at the times specified below:
- (a) by no later than 18 May 2017, the Borrowers and the other Security Parties shall have executed this Agreement by signatories acceptable to the Agent in all respects;
 - (b) by no later than 23 May 2017, the Borrowers and the other Security Parties deliver to the Agent, such corporate authorisations or other evidence of the authority of each Security Party, in relation to the execution of this Agreement, in such form as the Agent may require in its absolute discretion; and
 - (c) by no later than 24 May 2017, each Borrower executes in favour of the Security Agent, in respect of its Ship, an addendum to the Mortgage of such Ship (each a "**Mortgage Addendum**" and together the "**Mortgage Addenda**") in form and substance satisfactory to the Agent and procures that each such Mortgage Addendum has been duly recorded with the relevant Registry of each such Ship.
- 5 Failure by the Borrowers and the other Security Parties to comply with any of the above conditions at the times specified above will constitute an Event of Default under the Loan Agreement.
- 6 This Agreement is supplemental to the Loan Agreement.
- 7 This Agreement constitutes a Security Document.
- 8 Save as amended or deemed amended by this Agreement, the provisions of the Loan Agreement shall continue in full force and effect and the Loan Agreement and this Agreement shall be read and construed as one instrument.
- 9 Each of the Borrowers, the Corporate Guarantor and the Manager hereby confirms its consent to the amendments to the Loan Agreement hereunder and the other arrangements contained in this Agreement, and further acknowledges and agrees that the Security Documents to which it is a party and its obligations, shall remain and continue to be in full force and effect notwithstanding the said amendments to the Loan Agreement and the other arrangements contained in this Agreement.
- 10 The provisions of clauses 17 (*Notices*) and 18 (*Governing law and jurisdiction*) of the Loan Agreement shall be incorporated into this Agreement as if set out in full herein and as if references to "this Agreement" were references to this Agreement.
- 11 This Agreement and any non-contractual obligations in connection with this Agreement are governed by, and shall be construed in accordance with English law.
-

SIGNATORIES

EXECUTED as a DEED)
By Margarita Veniou)
for and on behalf of) /s/ Margarita Veniou
LAE SHIPPING COMPANY INC.)
as Borrower)
in the presence of:)

/s/ Ioannis Zafirakis
Witness
Name: Ioannis Zafirakis
Address:
Occupation:

EXECUTED as a DEED)
By Margarita Veniou)
for and on behalf of) /s/ Margarita Veniou
NAMU SHIPPING COMPANY INC.)
as Borrower)
in the presence of:)

/s/ Ioannis Zafirakis
Witness
Name: Ioannis Zafirakis
Address:
Occupation:

EXECUTED as a DEED)
By Ioannis Zafirakis)
for and on behalf of) /s/ Ioannis Zafirakis
DIANA SHIPPING INC.)
as Corporate Guarantor)
in the presence of:)

/s/ Margarita Veniou
Witness
Name: Margarita Veniou
Address: PENDELIS 16, 17564 PALAIO FALIRO, ATHENS
Occupation:

EXECUTED as a DEED)
By Ioannis Zafirakis)
for and on behalf of)
DIANA SHIPPING SERVICES S.A.)
as Manager)
in the presence of:)

/s/ Ioannis Zafirakis

/s/ Margarita Veniou
Witness
Name: Margarita Veniou
Address: PENDELIS 16, 17564 PALAIO FALIRO, ATHENS
Occupation:

EXECUTED as a DEED)
By Ariana Georgioupolis)
for and on behalf of)
DNB (UK) LIMITED)
as Bank)
in the presence of:)

/s/ Ariana Georgioupolis
Authorised Signatory

/s/ Emmanouil Chamilothis
Witness
Name: Emmanouil Chamilothis
Address: Associate
Occupation:Norton Rose Fubright Greece

EXECUTED as a DEED)
By Ariana Georgioupolis)
for and on behalf of)
DNB BANK ASA (formerly known as DNB NOR BANK ASA))
as Arranger)
in the presence of:)

/s/ Ariana Georgioupolis
Authorised Signatory

/s/ Emmanouil Chamilothis
Witness
Name: Emmanouil Chamilothis
Address: Associate
Occupation:Norton Rose Fubright Greece

EXECUTED as a DEED)
By GAO Zefeng)
for and on behalf of)
THE EXPORT-IMPORT BANK OF CHINA)
as Manager)
in the presence of:)

/s/ GAO Zefeng
Authorised Signatory

/s/ Luo Weibo
Witness
Name: Luo Weibo
Address: No. 30, FuXingMenNei street, Xicheng District, Beijing 100031, P.R. China
Occupation: Project Manager

EXECUTED as a DEED)
By Ariana Georgiopolis)
for and on behalf of)
DNB BANK ASA (formerly known as DNB NOR BANK ASA))
as Swap Provider)
in the presence of:)

/s/ Ariana Georgiopolis
Authorised Signatory

/s/ Emmanouil Chamilothis
Witness
Name: Emmanouil Chamilothis
Address: Associate
Occupation: Norton Rose Fubright Greece

EXECUTED as a DEED)
By Ariana Georgiopolis)
for and on behalf of)
DNB BANK ASA (formerly known as DNB NOR BANK ASA))
as Security Agent)
in the presence of:)

/s/ Ariana Georgiopolis
Authorised Signatory

/s/ Emmanouil Chamilothis
Witness
Name: Emmanouil Chamilothis
Address: Associate
Occupation: Norton Rose Fubright Greece

EXECUTED as a DEED)
By Ariana Georgioupolis)
for and on behalf of)
DNB BANK ASA (formerly known as DNB NOR BANK ASA))
as Agent)
in the presence of:)

/s/ Ariana Georgioupolis
Authorised Signatory

/s/ Emmanouil Chamilothis
Witness
Name: Emmanouil Chamilothis
Address: Associate
Occupation: Norton Rose Fubright Greece

EXECUTED as a DEED)
By Ariana Georgioupolis)
for and on behalf of)
DNB BANK ASA (formerly known as DNB NOR BANK ASA))
as Account Bank)
in the presence of:)

/s/ Ariana Georgioupolis
Authorised Signatory

/s/ Emmanouil Chamilothis
Witness
Name: Emmanouil Chamilothis
Address: Associate
Occupation: Norton Rose Fubright Greece

SUBSIDIARIES AS AT DECEMBER 31, 2017

Subsidiary	Country of Incorporation
Aerik Shipping Company Inc.	Marshall Islands
Ailuk Shipping Company Inc.	Marshall Islands
Aster Shipping Company Inc.	Marshall Islands
Bikar Shipping Company Inc.	Marshall Islands
Bikini Shipping Company Inc.	Marshall Islands
Bokak Shipping Company Inc.	Marshall Islands
Ebadon Shipping Company Inc.	Marshall Islands
Erikub Shipping Company Inc.	Marshall Islands
Fayo Shipping Company Inc.	Marshall Islands
Gala Properties Inc.	Marshall Islands
Guam Shipping Company Inc.	Marshall Islands
Houk Shipping Company Inc.	Marshall Islands
Jabat Shipping Company Inc.	Marshall Islands
Jaluit Shipping Company Inc.	Marshall Islands
Jemo Shipping Company Inc.	Marshall Islands
Kaben Shipping Company Inc.	Marshall Islands
Kili Shipping Company Inc.	Marshall Islands
Knox Shipping Company Inc.	Marshall Islands
Lae Shipping Company Inc.	Marshall Islands
Lelu Shipping Company Inc.	Marshall Islands
Lib Shipping Company Inc.	Marshall Islands
Majuro Shipping Company Inc.	Marshall Islands
Makur Shipping Company Inc.	Marshall Islands
Mandaringina Inc.	Marshall Islands
Mejato Shipping Company Inc.	Marshall Islands
Namu Shipping Company Inc.	Marshall Islands
Palau Shipping Company Inc.	Marshall Islands
Pulap Shipping Company Inc.	Marshall Islands
Rairok Shipping Company Inc.	Marshall Islands
Rakaru Shipping Company Inc.	Marshall Islands
Taka Shipping Company Inc.	Marshall Islands
Taroa Shipping Company Inc.	Marshall Islands
Toku Shipping Company Inc.	Marshall Islands
Tuvalu Shipping Company Inc.	Marshall Islands
Ujae Shipping Company Inc.	Marshall Islands
Wake Shipping Company Inc.	Marshall Islands
Weno Shipping Company Inc.	Marshall Islands
Wotho Shipping Company Inc.	Marshall Islands
Buenos Aires Compania Armadora S.A.	Panama
Cerada International SA	Panama
Changame Compania Armadora S.A.	Panama
Chorrera Compania Armadora S.A.	Panama
Cypres Enterprises Corp.	Panama
Darien Compania Armadora S.A.	Panama
Diana Ship Management Inc.	Panama
Diana Shipping Services S.A.	Panama
Eaton Marine S.A.	Panama
Husky Trading, S.A.	Panama
Panama Compania Armadora S.A.	Panama
Skyvan Shipping Company S.A.	Panama
Texford Maritime S.A.	Panama
Urbina Bay Trading, S.A.	Panama
Vesta Commercial, S.A.	Panama
Marfort Navigation Company Limited	Cyprus
Silver Chandra Shipping Company Limited	Cyprus
Bulk Carriers (USA) LLC	United States (Delaware)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Simeon Palios, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 16, 2018

/s/ Simeon Palios

Simeon Palios

Chief Executive Officer (Principal Executive Officer)

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. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 16, 2018

/s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer and Treasurer (Principal Financial Officer)

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

In connection with this Annual Report of Diana Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 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 16, 2018

/s/ Simeon Palios

Simeon Palios

Chief Executive Officer (Principal Executive Officer)

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

In connection with this Annual Report of Diana Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 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 16, 2018

/s/ Andreas Michalopoulos

Andreas Michalopoulos
Chief Financial Officer and Treasurer (Principal Financial Officer)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form F-3 No. 333-205491) of Diana Shipping Inc. and in the related Prospectus of our reports dated March 16, 2018, 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, 2017.

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

Athens, Greece
March 16, 2018