FORM 20-F

DIANA SHIPPING INC. - DSX

Filed: April 20, 2012 (period: December 31, 2011)

Annual and transition report of foreign private issuers under sections 13 or 15(d)

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, 2011

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. . . . . .

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

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, 2011, there were 82,419,417 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

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FORWARD-LOOKING STATEMENTS

Diana Shipping Inc., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe", "except," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect" and similar expressions identify forward-looking statements.

Please note in this annual report, "we", "us", "our" and "the Company" all refer to Diana Shipping Inc. and its subsidiaries.

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The following table sets forth our selected consolidated financial data and other operating data. The selected consolidated financial data in the table as of December 31, 2011, 2010, 2009, 2008 and 2007 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,				
	2011	2010	2009	2008	2007
	(in thousands of U.S. dollars, except for share and per share data and average daily results)				
Income Statement Data:					
Time charter revenues	$ 255,669	$ 275,448	$ 239,342	$ 337,391	$ 190,480
Other revenues	1,117	-	-	-	-
Voyage expenses	10,597	12,392	11,965	15,003	8,697
Vessel operating expenses	55,375	52,585	41,369	39,899	29,332
Depreciation and amortization of deferred charges	55,278	53,083	44,686	43,259	24,443
General and administrative expenses	25,123	25,347	17,464	13,831	11,718
Gain on vessel sale	-	-	-	-	(21,504)
Foreign currency gains	(503)	(1,598)	(478)	(438)	(144)
Operating income	110,916	133,639	124,336	225,837	137,938
Interest and finance costs	(4,924)	(5,213)	(3,284)	(5,851)	(6,394)
Interest income	1,033	920	951	768	2,676

	As of and for the Year Ended December 31,				
	2011	2010	2009	2008	2007
	(in thousands of U.S. dollars, except for share and per share data and average daily results)				
Loss from derivative instruments	(737)	(1,477)	(505)	-	-
Insurance settlements for vessel un-repaired damages	-	-	-	945	-
Income from investment in Diana Containerships Inc.	1,207	-	-	-	-
Net income	$ 107,495	$ 127,869	$ 121,498	$ 221,699	$ 134,220
Loss assumed by non controlling interests	$ 2	$ 910	$ -	$ -	$ -
Net income attributed to Diana Shipping Inc.	$ 107,497	$ 128,779	$ 121,498	$ 221,699	$ 134,220
Earnings per common share, basic	$ 1.33	$ 1.60	$ 1.55	$ 2.97	$ 2.11
Earnings per common share, diluted	$ 1.33	$ 1.59	$ 1.55	$ 2.97	$ 2.11
Weighted average number of common shares, basic	81,081,774	80,682,770	78,282,775	74,375,686	63,748,973
Weighted average number of common shares, diluted	81,124,348	80,808,232	78,385,464	74,558,254	63,748,973
Cash dividends declared and paid per share	$ -	$ -	$ -	$ 3.31	$ 2.05
Balance Sheet Data:					
Cash and cash equivalents	$ 416,674	$ 345,414	$ 282,438	$ 62,033	$ 16,726
Total current assets	432,691	354,649	297,156	68,554	21,514
Vessels' net book value	1,046,719	1,160,850	979,343	960,431	867,632
Property and equipment, net	21,659	21,842	200	136	956
Total assets	1,604,471	1,585,389	1,320,425	1,057,206	944,342
Total current liabilities	48,095	32,510	32,386	20,012	20,964
Deferred revenue, non-current portion	-	4,227	11,244	22,502	23,965
Long-term debt (including current portion)	373,338	383,623	281,481	238,094	98,819
Total stockholders' equity	1,208,878	1,169,930	999,325	775,476	799,474
Cash Flow Data:					
Net cash provided by operating activities	$ 154,230	$ 178,292	$ 151,903	$ 261,151	$ 148,959
Net cash used in investing activities	(90,428)	(252,313)	(73,081)	(108,662)	(409,085)
Net cash provided by / (used in) financing activities	7,458	136,997	141,583	(107,182)	262,341
Fleet Data:					
Average number of vessels (1)	23.6	22.9	19.2	18.9	15.9
Number of vessels at end of period	24.0	25.0	20.0	19.0	18.0
Weighted average age of drybulk vessels at year-end (in years)	6.3	5.4	4.9	4.3	3.4
Weighted average age of containerships at year-end (in years)	-	0.6	-	-	-

	As of and for the Year Ended December 31,				
	2011	2010	2009	2008	2007
Ownership days (2)	8,609	8,348	7,000	6,913	5,813
Available days (3)	8,474	8,208	6,930	6,892	5,813
Operating days (4)	8,418	8,180	6,857	6,862	5,771
Fleet utilization (5)	99.3%	99.7%	98.9%	99.6%	99.3%
Average Daily Results:					
Time charter equivalent (TCE) rate (6)	$28,920	$32,049	$32,811	$46,777	$31,272
Daily vessel operating expenses (7)	6,432	6,299	5,910	5,772	5,046

(1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.

(2) Ownership days are the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(3) Available days are the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels for such events. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(4) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(5) We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning for such events.

(6) Time charter equivalent rates, or TCE rates, are defined as our time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE rate is a non-GAAP measure, and is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters are generally expressed in such amounts. The following table reflects the calculation of our TCE rates for the periods presented.

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars, and available days)				
Time charter revenues	$ 255,669	$ 275,448	$ 239,342	$ 337,391	$ 190,480
Less: voyage expenses	(10,597)	(12,392)	(11,965)	(15,003)	(8,697)
Time charter equivalent revenues	$ 245,072	$ 263,056	$ 227,377	$ 322,388	$ 181,783
Available days	8,474	8,208	6,930	6,892	5,813
Time charter equivalent (TCE) rate	$ 28,920	$ 32,049	$ 32,811	$ 46,777	$ 31,272

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

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition or operating results or the trading price of our common stock.

Industry Specific Risk Factors

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

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk carriers has varied widely, and charter hire rates for Panamax and Capesize dry bulk carriers have reached near historically low levels. Because we charter some of our vessels pursuant to short-term time charters, we are exposed to changes in spot market and short-term charter rates for dry bulk carriers and such changes may affect our earnings and the value of our dry bulk carriers at any given time. In addition, we have nine vessels coming off of their current charters in 2012 for which we will be seeking new employment. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or pay any dividends in the future. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

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

Factors that influence the supply of vessel capacity include:

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

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

Demand for our dry bulk carriers is dependent upon economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global dry bulk carrier fleet and the sources and supply of dry bulk cargo transported by sea. Given the large number of new dry bulk carriers currently on order with shipyards, the capacity of the global dry bulk carrier fleet seems likely to increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

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

The abrupt and dramatic downturn in the dry bulk charter market, from which we derive substantially all of our revenues, has severely affected the dry bulk shipping industry and has adversely affected our business. The Baltic Dry Index, or the BDI, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and remained volatile during 2009, ranging from a low of 772 in January 2009 to a high of 4,661 in November 2009. The BDI continued its volatility in 2010, reaching a high of 4,209 in May 2010 and a low of 1,700 in July 2010, and in 2011, ranging from a low of approximately 1,043 in February 2011 and a high of approximately 2,173 in October 2011. As of April 10, 2012, the BDI stood at 928. The decline and volatility in charter rates is due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which has resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which has resulted in falling iron ore prices and increased stockpiles in Chinese ports. The decline and volatility in charter rates in the dry bulk market also affects the value of our dry bulk vessels, which follows the trends of dry bulk charter rates, and earnings on our charters, and similarly, affects our cash flows, liquidity and compliance with the covenants contained in our loan agreements.

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

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

Continued economic slowdown in any Asia Pacific country, particularly in China, may further exacerbate the effect of the significant recent slowdowns in the economies of the United States and the European Union and may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects. 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. While the growth rate of China's GDP increased to approximately 10.3% for the year ended December 31, 2010, as compared to approximately 9.1% for the year ended December 31, 2009, the Chinese GDP growth rate decreased to approximately 9.5% for the year ended December 31, 2011 and remains below pre-2008 levels. China has recently imposed measures to restrain lending, which may further contribute to a slowdown in its economic growth. It is possible that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the near future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our business, financial condition and results of operations, ability to pay dividends as well as our future prospects, will likely be materially and adversely affected by an economic downturn in any of these countries.

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

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

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

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

Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our shareholders.

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

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

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

The market supply of dry bulk carriers has been increasing, and the number of dry bulk carriers on order is near historic highs. Dry bulk new buildings were delivered in significant numbers starting at the beginning of 2006 and continued to be delivered in significant numbers through 2011. As of February, 2012, newbuilding orders had been placed for an aggregate of more than 30.0% of the existing global dry bulk fleet, with deliveries expected during the next three years. Due to lack of financing many analysts expect significant cancellations and/or slippage of newbuilding orders. 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 exacerbate the recent decrease in charter rates or prolong the period during which low charter rates prevail. If the current low charter rate environment persists, or a further reduction occurs, during a period when the current charters for our dry bulk carriers expire or are terminated, we may only be able to re-charter those vessels at reduced rates or we may not be able to charter our vessels at all. Currently, nine of our charters are scheduled to expire in 2012.

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

Terrorist attacks and the continuing response of the world community to these attacks, as well as the threat of future terrorist attacks around the world, continues to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts in North Africa and the Middle East may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Future terrorist attacks could also result in increased volatility and turmoil of the financial markets in the United States and globally. Any of these occurrences could have a material adverse impact on our revenues and costs.

Acts of piracy on ocean-going vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Although sea piracy worldwide decreased slightly in 2011 for the first time in five years, throughout 2008, 2009 and 2010, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden off the coast of Somalia, with dry bulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including those due to employing onboard security guards, could increase in such circumstances. 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 results of operations.

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

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy is currently facing a number of new challenges, including uncertainty related to the continuing discussions in the United States regarding the federal debt ceiling and recent turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, shipping.

The United States, the European Union and other parts of the world have recently been or are currently in a recession and continue to exhibit weak economic trends. The credit markets in the United States and Europe have experienced significant contraction, deleveraging and reduced liquidity, and the U.S. federal and state governments and European authorities have implemented a broad variety of governmental action and/or new regulation of the financial markets and may implement additional regulations in the future. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The United States Securities and Exchange Commission, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. Global financial markets and economic conditions have been, and continue to be, severely disrupted and volatile. Credit markets and the debt and equity capital markets have been exceedingly distressed and the uncertainty surrounding the future of the credit markets in the United States and the rest of the world has resulted in reduced access to credit worldwide.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, and the trading price of our common shares.

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

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

Fuel, or bunker, prices may adversely affect profits.

While we generally will not bear the cost of fuel, or bunkers for vessels operating on time charters, fuel is a significant factor in negotiating charter rates. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability at the time of charter negotiation. Fuel is also a significant, if not the largest, expense in our shipping operations when vessels are under voyage charter. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

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

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the International Convention for the Prevention of Pollution from Ships of 1975, the International Maritime Organization, or IMO, International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. Furthermore, the 2010 explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends.

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

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

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

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

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

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

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

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

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

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

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

From time to time on charterers' instructions, our vessels may call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the U.S. government as state sponsors of terrorism, including Cuba, Iran, Sudan and Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies such as ours, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, the U.S. Congress is currently considering the enactment of the Iran, North Korea, and Syria Nonproliferation Reform and Modernization Act of 2011, which would, among other things, provide for the imposition of sanctions, including a 180-day prohibition on calling on U.S. ports and enhanced vessel inspections, on companies or persons that provide certain shipping services to or from Iran, North Korea or Syria. Although we believe that we are 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 or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our company. Additionally, some investors may decide to divest their interest, or not to invest, in our company simply because we do business with companies that do business in sanctioned countries. 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. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

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

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

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

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

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

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

Company Specific Risk Factors

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

The fair market value of our vessels is related to prevailing freight charter rates. While the fair market value of vessels and the freight charter market have a very close relationship as the charter market moves from trough to peak, the time lag between the effect of charter rates on market values of ships can vary.

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

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

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

The market values of our vessels have decreased, which could cause us to breach covenants in our credit facilities and adversely affect our operating results.

We believe that the market value of the vessels in our fleet is in excess of amounts required under our credit facilities. However, if the market values of our vessels, which are at relatively low levels, decrease further, we may breach some of the covenants contained in the financing agreements relating to our indebtedness at the time, including covenants in our credit facilities. If we do breach such covenants and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet. In addition, if the book value of a vessel is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our operating results.

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

We charter certain of our vessels pursuant to short-term time charters, although we have also entered into long-term time charters ranging in duration on commencement of the time charter from 13 months to 62 months for 24 of the vessels in our fleet and we may in the future employ additional vessels on longer term time charters. Currently, six of our vessels are employed on time charters scheduled to expire within the next six months, at which time we expect to enter into new charters for those vessels. Although significant exposure to short-term time charters is not unusual in the dry bulk shipping industry, the short-term time charter market is highly competitive and spot market charter hire rates (which affect time charter rates) may fluctuate significantly based upon available charters and the supply of, and demand for, seaborne shipping capacity. While the short-term time charter market may enable us to benefit in periods of increasing charter hire rates, we must consistently renew our charters and this dependence makes us vulnerable to declining charter rates. As a result of the volatility in the dry bulk carrier charter market, we may not be able to employ our vessels upon the termination of their existing charters at their current charter hire rates. The dry bulk carrier charter market is volatile, and in the recent past, short-term time charter and spot market charter rates for some dry bulk carriers declined below the operating costs of those vessels before rising. We cannot assure you that future charter hire rates will enable us to operate our vessels profitably, or to pay dividends again.

Rising crew costs could adversely affect our results of operations.

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

Our investment in Diana Containerships Inc. exposes us to the risks of the containership market.

We currently own approximately 14.45% of Diana Containerships Inc., which operates in the containership market. Through this investment, we are partially exposed to containership market risks such as the cyclicality and volatility of charterhire rates; the reduction in demand for container shipping due to the recent global economic recession; increased risk of charter counterparty risk due to financial pressure on liner companies as a result of a decline in global trade; and the risk of over-supply of containership capacity. Containership market risks may reduce the value of our investment in Diana Containerships Inc., and could adversely affect our financial condition.

Our earnings, and the amount of dividends, if any, paid in the future, may be adversely affected if we are not able to take advantage of favorable charter rates.

We charter certain of our dry bulk carriers to customers pursuant to short-term time charters that range in duration from 11 to 14 months. However, as part of our business strategy, 24 of our vessels are currently fixed on long-term time charters ranging in duration from 13 months to 62 months. We may extend the charter periods for additional vessels in our fleet, including additional dry bulk carriers that we may purchase in the future, to take advantage of the relatively stable cash flow and high utilization rates that are associated with long-term time charters. While we believe that long-term charters provide us with relatively stable cash flows and higher utilization rates than shorter-term charters, our vessels that are committed to long-term charters may not be available for employment on short-term charters during periods of increasing short-term charter hire rates when these charters may be more profitable than long-term charters.

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

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

Our board of directors has suspended the payment of cash dividends as a result of market conditions in the international shipping industry. We cannot assure you that our board of directors will reinstate dividend payments in the future, or when such reinstatement might occur.

As a result of market conditions in the international shipping industry and in order to position us to take advantage of market opportunities, our board of directors, beginning with the fourth quarter of 2008, has suspended our common stock dividend. Our dividend policy will be assessed by the board of directors from time to time. We believe that this suspension will enhance our future flexibility by permitting cash flow that would have been devoted to dividends to be used for opportunities that may arise in the current marketplace, such as funding our operations, acquiring vessels or servicing our debt.

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

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.

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

Since the completion of our initial public offering in March 2005, we have taken delivery of eight Panamax dry bulk carriers, one Post-Panamax dry bulk carrier and eight Capesize dry bulk carriers, sold one of our Capesize dry bulk carriers and entered into two shipbuilding contracts for the construction of two Newcastlemax dry bulk carriers, of which one was delivered in February 2012 and the other is expected to be delivered in April 2012. In March 2012 we also entered into two shipbuilding contracts for the construction of two ice class Panamax dry bulk carriers and into a memorandum of agreement to acquire a secondhand Panamax dry bulk carrier. The addition of these vessels to our fleet has resulted in a significant increase in the size of our fleet and imposes significant additional responsibilities on our management and staff. While we expect our fleet to grow further, this may require us to increase the number of our personnel. We will also have to increase our customer base to provide continued employment for the new vessels.

Our future growth will primarily depend on our ability to:

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

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

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

We entered into a $230.0 million secured revolving credit facility with The Royal Bank of Scotland Plc in February 2005, which was amended in May 2006 to increase the facility amount to $300.0 million. In October 2009, we entered into loan agreements with Deutsche Bank AG and Bremer Landesbank, or Bremer, for a loan of $40 million, each, which we used to finance part of the construction cost of our Capesize dry bulk carriers, *New York* delivered in March 2010 and *Houston* delivered in October 2009, respectively. In October 2010, we entered into a loan agreement with Export–Import Bank of China and DnB NOR Bank ASA, for a loan of up to $82.6 million, to finance part of the construction cost of our two Newcastlemax vessels of which one was delivered in February 2012 and the other is expected to be delivered in April 2012. In September 2011, we entered into a loan agreement with Emporiki Bank of Greece S.A. for a loan of $15.0 million to refinance part of the acquisition cost of the *Arethusa.* In February 2012, we entered into a loan agreement with Nordea Bank Finland plc, London Branch, for a term loan of up to $16.1 million to finance part of the acquisition cost of the *Leto*. As of December 31, 2011, we had $374.3 million outstanding under our facilities. We have used our loan facilities to finance vessel acquisitions and newbuilding construction. Our ability to borrow amounts under our facilities is subject to the execution of customary documentation relating to the facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Prior to each drawdown, we are required, among other things, to provide the lender with acceptable valuations of the vessels in our fleet confirming that the vessels in our fleet have a minimum value and that the vessels in our fleet that secure our obligations under the facilities are sufficient to satisfy minimum security requirements. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may not be able to draw down the full amount under the facilities without obtaining a waiver or consent from the lender. We will also not be permitted to borrow amounts under the facilities if we experience a change of control.

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

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

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

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

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

Purchasing and operating secondhand vessels may result in increased operating costs and reduced operating days.

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

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

We enter into, among other things, charter parties with our customers. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. In addition, in depressed market conditions, our charterers may no longer need a vessel that is currently under charter or may be able to obtain a comparable vessel at lower rates. As a result, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Currently, our fleet consists of 16 Panamax dry bulk carriers, one Post-Panamax dry bulk carrier, eight Capesize dry bulk carriers, one Newcastlemax vessel and one Newcastlemax vessel under construction, having a combined carrying capacity of 2.9 million dead weight tons, or dwt, and a weighted average age of 6.0 years as of April 20, 2012, excluding our newbuilding Newcastlemax vessel, our two ice class newbuilding Panamax vessels under construction and the Panamax dry bulk carrier we have agreed to acquire. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

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

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

Volatility in LIBOR could affect our profitability, earnings and cash flow.

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

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

We have historically derived a significant part of our revenues from a small number of charterers. During 2011, approximately 41% of our revenues derived from three charterers. During 2010, approximately 44% of our revenues derived from three charterers. During 2009, approximately 69% of our revenues derived from four charterers. If one or more of our charterers chooses not to charter our vessels or is unable to perform under one or more charters with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition and results of operations.

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

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

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

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

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

Under the U.S. Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a vessel-owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as U.S. source shipping income and such income is 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 thereunder.

We expect that we and each of our subsidiaries qualify for this statutory tax exemption for the 2011 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 income. For example, at December 31, 2011, our 5% shareholders owned approximately 18.1% of our outstanding common stock. There is a risk that we could no longer qualify for exemption under Section 883 of the Code for a particular taxable year if other shareholders with a 5% or greater interest in our common stock were, in combination with our existing 5% shareholders, to own 50% or more of the outstanding shares of our common stock on 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 2011 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. Please see the section of this annual report entitled "Taxation" under Item 10D 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 and information reporting obligations. 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. Please see the section of this annual report entitled "Taxation" under Item 10D for a more comprehensive discussion of the U.S. federal income tax consequences if we were to be treated as a PFIC.

Risks Relating to Our Common Stock

There is no guarantee that there will continue to be an active and liquid public market for you to resell our common stock in the future.

The price of our common stock may be volatile and may fluctuate due to factors such as:

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

The dry bulk shipping industry has been highly unpredictable and volatile. The market for common stock in this industry may be equally volatile.

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

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

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

As of the date of this annual report Mr. Simeon Palios, our Chairman and Chief Executive Officer, beneficially owns 15,112,717 shares, or approximately 18.2% of our outstanding common stock, the vast majority of which is held indirectly through entities over which he exercises sole voting power. Please see Item 7A. "Major Shareholders." While Mr. Palios and the non-voting shareholders of these entities have no agreement, arrangement or understanding relating to the voting of their shares of our common stock, they are able to influence the outcome of matters on which our shareholders are entitled to vote, including the election of directors and other significant corporate actions. The interests of these shareholders may be different from your interests.

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

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

Our amended and restated articles of incorporation authorize us to issue up to 200,000,000 shares of common stock, of which as of December 31, 2011, 82,419,417 shares were outstanding. The number of shares of common stock available for sale in the public market is limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and principal shareholders have entered into.

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

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

These provisions include:

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

In addition, we have adopted a shareholder rights plan pursuant to which our board of directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our board of directors.

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

Item 4. Information on the Company

A. History and development of the Company

Diana Shipping Inc. is a holding company incorporated under the laws of Liberia in March 1999 as Diana Shipping Investments Corp. In February 2005, the Company's articles of incorporation were amended. Under the amended and restated articles of incorporation, the Company was renamed Diana Shipping Inc. and was redomiciled from the Republic of Liberia to the Marshall Islands. Our executive offices are located at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at this address is +30-210-947-0100.

Business Development and Capital Expenditures and Divestitures

On April 13, 2009, we entered into agreements with the shipbuilders Shanghai Jiangnan-Changxing Shipbuilding Co. Ltd. and 4 Sweet Dreams S.A., a related party controlled by the two daughters of our Chairman and Chief Executive Officer, under which we:

– acquired Gala Properties Inc., or Gala, that had a contract with the China Shipbuilding Trading Company, Limited and Shanghai Jiangnan-Changxing Shipbuilding Co. Ltd., for the construction of the *Houston* (delivered in October 2009) for a contract price of $60.2 million, as amended, in exchange for our ownership interest in our former subsidiary Eniwetok Shipping Company Inc., which had a contract with the shipbuilders for the construction of a separate 177,000 dwt Capesize drybulk carrier, identified as Hull No.H1108, for the contract price of $60.2 million, with a scheduled delivery date of June 30, 2010, or the Eniwetok contract; and

– acquired the charter party, which Gala had already entered into, for the *Houston* with Jiangsu Shagang Group Co., or Shagang, or its nominee (with performance guaranteed by Shagang) providing for a gross charter hire rate of $55,000 per day for a period of a minimum of 59 months and a maximum of 62 months for a consideration of $15.0 million.

Assets exchanged were recorded at fair value, measured on the consummation date of the transaction. No gain or loss was recognized as a result of the transaction.

In April 2009, we entered into a supplemental loan agreement with Fortis Bank to amend and restate the existing loan agreement, so as to include Gala, as a borrower. Pursuant to the supplemental loan agreement and the amended and restated loan agreement, the bank consented to (i) the termination of the Eniwetok Contract; (ii) the amendment of the purpose of the loan facility made available under the principal agreement such that its purpose includes the financing of part of the construction and acquisition cost of the *Houston*; and (iii) certain amendments to the terms of the principal agreement and the corporate guarantee. Under the amended and restated agreement, the bank also agreed to reduce the shareholding required to be beneficially owned by the Palios' and Margaronis' families from 20% to 10%.

In 2009, we drew down an aggregate amount of $30.1 million under the loan facility with Fortis Bank to finance part of the first and the second installment of the construction cost of the *Houston*, and the second and third installment of the construction cost of the *New York*. After delivery of the *Houston*, in October 2009, the Company repaid $30.1 million of the outstanding loan and drew down $40.0 million under our loan facility with Bremer Landesbank.

In May 2009, we completed a secondary public offering in the United States of 6,000,000 shares of common stock at a price of $16.85 per share, from which we received $98.4 million of net proceeds.

In October 2009, we, through our wholly-owned subsidiaries Gala Properties Inc. and Bikini Shipping Company Inc., entered into loan agreements with Bremer Landesbank and Deutsche Bank AG, respectively, for an amount of $40.0 million each, to finance part of the acquisition cost of our vessels the *Houston* and the *New York*, respectively.

In December 2009, we, through our wholly owned subsidiary Taka Shipping Company Inc., or Taka, entered into a Memorandum of Agreement with an unrelated third party to acquire the 76,436 dwt Panamax dry bulk carrier *Melite* (built 2004) for a total consideration of $35.1 million, delivered in January 2010. The acquisition cost of the vessel was funded with funds drawn under our revolving credit facility with the Royal Bank of Scotland.

In January 2010, we established Diana Containerships Inc., or Diana Containerships, with the purpose of acquiring containerships, and we made an initial capital contribution of $500 in exchange for 500 common shares of Diana Containerships.

In March 2010, we took delivery of the *New York* and repaid $30.1 million under our loan agreement with Fortis Bank and therefore, our loan with Fortis Bank was terminated. We financed $40.0 million of the acquisition cost of the *New York* with funds drawn under our facility with Deutsche Bank AG that we entered into in October 2009.

In April 2010, we, through Lae Shipping Company Inc. and Namu Shipping Company Inc., entered into a shipbuilding contract with China Shipbuilding Trading Company, Limited and Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd. for the construction of one Newcastlemax dry bulk carrier of approximately 206,000 dwt for each subsidiary. Each newbuilding (*H1234* named *Los Angeles* and *H1235* to be named *Philadelphia*) has a contract price of $58.0 million. In February 2012, we took delivery of the *Los Angeles* and financed part of its construction cost with funds drawn under our facility with the Export- Import Bank of China and DnB NOR Bank ASA, amounting to $37.5 million, being 70% of the market value of the vessel. We expect to take delivery of hull *H1235,* to be named *Philadelphia,* in April 2012.

In April 2010, Diana Containerships completed the sale of an aggregate of 5,892,330 common shares in a private offering under Rule 144A, Regulation S and Regulation D under the Securities Act of 1933, as amended, or the Securities Act, pursuant to the purchase/placement agreement, dated March 29, 2010, by and between Diana Containerships and FBR Capital Markets & Co., including 290,000 common shares issued pursuant to the exercise of FBR Capital Markets & Co.'s option to purchase additional shares, with aggregate net proceeds of $85.3 million. We invested $50.0 million in this private offering to acquire 3,333,333 common shares of Diana Containerships.

In June 2010, we and Diana Containerships terminated our existing Consultancy Agreements with companies controlled by each of the executive officers and the services that were previously provided to us and to Diana Containerships by the consultants are provided by Diana Shipping Services S.A., or DSS. DSS has appointed Diana Enterprises Inc., or Diana Enterprises, a related party controlled by our Chief Executive Officer and Chairman Mr. Simeon Palios, as broker to assist it in providing services to us and to Diana Containerships pursuant to the Broker Services Agreement, dated June 1, 2010.

In June 2010, Likiep Shipping Company Inc. and Orangina Inc., wholly owned subsidiaries of Diana Containerships, entered into memoranda of agreement with a third party company to acquire Hull 558 and Hull 559, named *Sagitta* and *Centaurus,* respectively, for the purchase price of Euro 37.3 million, each. *Sagitta* was delivered in June 2010 and its purchase price amounted to $45.7 million. *Centaurus* was delivered in July 2010 and its purchase price amounted to $47.2 million.

In July 2010, Diana Containerships, through its wholly owned subsidiaries Likiep Shipping Company Inc. and Orangina Inc., entered into a loan facility with DnB NOR Bank ASA for up to $40.0 million to finance part of the acquisition cost of the two newbuilding containerships *Centaurus* and *Sagitta*.

In September 2010, we, through our wholly owned subsidiary, Majuro Shipping Company Inc., entered into a memorandum of agreement to purchase the dry bulk vessel *East Sunrise 88*, renamed *Alcmene* for the purchase price of $40.8 million which was delivered in November 2010.

In October 2010, we, through our wholly owned subsidiaries Lae Shipping Company Inc. and Namu Shipping Company Inc., entered into a loan agreement with the Export – Import Bank of China and DnB NOR Bank ASA to finance part of the acquisition cost of the newbuildings Hull *H1234* to be named *Los Angeles* and Hull *H1235* to be named *Philadelphia*, for an amount of up to $82.6 million. The loan is available until November 30, 2012 in two advances with each advance not exceeding the lower of $41.3 million and the 70% of the market value of the ship relevant to it.

In October 2010, we acquired Universal Shipping and Real Estates Inc., or Universal, and Diana Shipping Agencies S.A., or DSA, from Poinsettia Management Ltd., or Poinsettia, an entity affiliated with the Company's CEO and Chairman and with other executives, for an aggregate price of $21.5 million. Universal and DSA were entities controlled by Poinsettia and owned the real property which the Company was leasing as its principal executive offices in Athens, Greece. In October 2010, the real property was transferred to DSS. Universal and DSA were subsequently dissolved.

In October 2010, Diana Containerships filed a registration statement on Form F-4, to register an aggregate of 2,558,997 common shares sold previously in the private offering. On October 19, 2010 the registration statement was declared effective.

In December 2010, Diana Containerships applied to list on the Nasdaq Global Market. Its shares became available to trade on January 3, 2011 on a "when issued basis" and its common shares became available for trading on January 19, 2011, on a "regular way" basis.

In January 2011, we distributed 2,667,015 shares, or 80% of our interest in Diana Containerships to our shareholders of record on January 3, 2011 and as a result our ownership percentage of Diana Containerships reduced to approximately 11%. As a result of this partial spin-off, the consolidated financial statements of Diana Containerships are no longer consolidated to our consolidated financial statements.

In May 2011, we, through Bikar Shipping Company Inc., entered into a Memorandum of Agreement for the purchase of M/V *Corona*, renamed *Arethusa*, a 73,593 dwt Panamax dry bulk carrier built in 2007, for the purchase price of $29.99 million. The *Arethusa* was delivered to us in July 2011.

In June 2011, Diana Containerships completed a public offering in the United States of 14,250,000 common shares at a price of $7.50 per share. Concurrent with this public offering, we acquired an additional 2,666,667 common shares of Diana Containerships at a price of $7.50 per share, for a total amount of $20.0 million, increasing our ownership percentage in the share capital of Diana Containerships to 14.45%. We account for our investment in Diana Containerships under the equity method of accounting on the basis of the significant influence exercised over Diana Containerships through our shareholding and shared executive management.

In September 2011, we, through our wholly owned subsidiary, Bikar Shipping Company Inc., entered into a loan agreement with Emporiki Bank of Greece S.A., for a loan of up to $15.0 million to refinance part of the acquisition cost of *Arethusa*. The loan was drawn on September 15, 2011 and is repayable in twenty equal semiannual installments of $0.5 million each, starting six months from drawdown and a balloon payment of $5.0 million to be paid together with the last installment not later than ten years from the drawdown date. 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 a cash pledge in favor of the bank.

In November 2011, we, through Jemo Shipping Company Inc., entered into a memorandum of agreement with a third party company to acquire the *Vathy* renamed *Leto*, an 81,297 dwt Panamax dry bulk carrier, built in 2010, for the purchase price of $32.25 million, which was delivered to us in January 2012. The purchase price of the vessel was partly financed with the proceeds from a loan agreement with Nordea Bank Finland Plc that Jemo entered into in February 2012. The loan facility of $16.1 million has a term of five years and is repayable in 20 consecutive equal quarterly instalments of about $0.3 million, commencing 3 months after the initial borrowing date and a balloon payment of about $11.1 million payable together with the final quarterly instalment. The loan bears interest at Libor plus a margin.

In December 2011, we entered into an agreement with Goldman, Sachs & Co., or the Broker, to repurchase our stock according to Rule 10b5-1(c)(l) and to the extent applicable to Rule 10b-18 under the Securities and Exchange Act of 1934. Under the terms of the agreement the Broker could purchase shares in the open market or through privately negotiated transactions for a commission of $0.03 per share of stock purchased. The agreement was terminated on February 29, 2012 and we repurchased a total of 251,455 shares for $1.9 million.

In March 2012, our subsidiaries Erikub Shipping Company Inc. and Wotho Shipping Company Inc., each entered into one shipbuilding contract with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd, respectively, for the construction of one 76,000 dwt ice class Panamax dry bulk carrier for the contract price of $29.0 million each. The contract price shall be paid in two installments of $4.35 million, one installment of $2.9 million and a fourth installment of $17.4 million. The vessels are expected to be delivered in the fourth quarter of 2013.

In March 2012, we entered into a Memorandum of Agreement to purchase from an unaffiliated third party, a 2005 built Panamax dry bulk carrier of 76,225 dwt, for a price of $20.65 million. The vessel, to be renamed *Melia*, is expected to be delivered to us by the sellers in April 2012.

We also refer you to Item 5. "Loan Facilities" for a discussion of our loan facilities.

B. Business overview

We are a global provider of shipping transportation services. We specialize in transporting dry bulk cargoes, including such commodities as iron ore, coal, grain and other materials along worldwide shipping routes. Currently, our operating fleet consists of 26 dry bulk carriers, of which 16 are Panamax, one is Post-Panamax, eight are Capesize and one is a Newcastlemax dry bulk carrier, having a combined carrying capacity of approximately 2.9 million dwt. In addition, we expect to take delivery of four vessels with a carrying capacity of 0.4 million dwt, two in April 2012 and two in the fourth quarter of 2013.

As of December 31, 2011, our fleet consisted of 15 modern Panamax dry bulk carriers, one Post-Panamax and eight Capesize dry bulk carriers, that had a combined carrying capacity of approximately 2.6 million dwt, and a weighted average age of 6.3 years, excluding our Newcastlemax vessels under construction and the *Leto* which was delivered in January 2012.

As of December 31, 2010, our fleet consisted of 14 modern Panamax dry bulk carriers, one Post-Panamax, eight Capesize dry bulk carriers, and two container vessels, owned by Diana Containerships, that had a combined carrying capacity of approximately 2.6 million dwt, and a weighted average age of 5.4 years, excluding the container vessels owned by Diana Containerships and our Newcastlemax vessels under construction. At December 31, 2010, the weighted average age of the containerships was 0.6 years and their carrying capacity was 6,852 TEUs.

During 2011, 2010 and 2009, we had a fleet utilization of 99.3%, 99.7% and 98.9%, respectively, our vessels achieved daily time charter equivalent rates of $28,920, $32,049 and $32,811, respectively, and we generated revenues of $255.7 million, $275.4 million and $239.3 million, respectively.

During 2010, Diana Containerships's fleet had a fleet utilization of 97.5%, achieved a daily time charter equivalent rate of $15,146 and generated revenues of $5.7 million. The results of Diana Containerships's fleet have been part of our consolidated results as of and for the period ended December 31, 2010.

The following table presents certain information concerning the dry bulk carriers in our fleet, as of April 15, 2012.

Fleet Employment Profile (As of April 15, 2012)
Currently Diana's fleet is employed as follows:

	Vessel BUILT DWT	Sister Ships*	Gross Rate (USD Per Day)	Com**	Charterer	Delivery Date to Charterer	Redelivery Date to Owners***	Notes
	Panamax Bulk Carriers							
1	CORONIS	C	$24,000	5.00%	Siba Ships Asia Pte. Ltd.	6-Apr-10	12-Mar-12	
	2006 74,381		$10,600	5.00%	EDF Trading Limited, London	12-Mar-12	27-Nov-13 - 27-Jun-14	
2	ERATO	C	$12,200	5.00%	Hyundai Merchant Marine Co., Ltd., Seoul, South Korea	26-Nov-11	26-Dec-12 - 10-Apr-13	
	2004 74,444							
3	ARETHUSA	B	$13,250	5.00%	Cargill International S.A., Geneva	8-Jul-11	24-May-12 - 23-Aug-12	
	2007 73,593							
4	NAIAS	B	$19,750	5.00%	J. Aron & Company, New York	24-Sep-10	24-Aug-12 - 24-Oct-12	
	2006 73,546							
5	CLIO	B	$25,000	5.00%	Daelim Corporation, Seoul	8-May-10	22-Feb-12	1
			$10,750	5.00%	Cargill International S.A., Geneva	22-Feb-12	22-Aug-13 - 22-Feb-14	
	2005 73,691							
6	CALIPSO	B	$12,250	5.00%	Louis Dreyfus Commodities Suisse S.A., Geneva	11-Oct-11	11-Aug-13 - 11-Dec-13	2
	2005 73,691							
7	PROTEFS	B	$11,750	4.75%	Cargill International S.A., Geneva	6-Aug-11	6-Jul-12 - 6-Oct-12	
	2004 73,630							
8	THETIS	B	$13,750	5.00%	Cargill International S.A., Geneva	23-Feb-11	28-Jan-12	3
			$10,500	5.00%	EDF Trading Limited, London	22-Feb-12	22-Aug-13 - 22-Jun-14	
	2004 73,583							
9	DIONE	A	$20,500	5.00%	Louis Dreyfus Commodities Suisse S.A., Geneva	26-Sep-10	26-Jul-12 - 26-Nov-12	
	2001 75,172							
10	DANAE	A	$15,600	5.00%	Hyundai Merchant Marine Co., Ltd., Seoul, South Korea	18-Apr-11	18-Mar-13 - 18-May-13	
	2001 75,106							

11	OCEANIS 2001 75,211	A	$19,750	5.00%	China National Chartering Co. Ltd. (Sinochart BJ), Beijing	17-Sep-10	17-Aug-12 - 1-Nov-12	
12	TRITON 2001 75,336	A	$19,500	4.75%	Resource Marine Pte., Ltd, Singapore	11-Dec-10	11-Nov-13 - 11-Feb-14	4
13	ALCYON 2001 75,247	A	$34,500	4.75%	Cargill International S.A., Geneva	21-Feb-08	21-Nov-12 - 21-Feb-13	
14	NIREFS 2001 75,311	A	$12,250	5.00%	Morgan Stanley Capital Group Inc.	18-Dec-11	18-Jan-13 - 18-Apr-13	
15	MINING STAR (tbr MELIA) 2005 76,225	G	$10,900	5.00%	STX Panocean Co., Ltd., Seoul	24-Apr-12	24-Mar-13 - 24-Jun-13	5,6
16	MELITE 2004 76,436	G	$16,500	5.00%	Cargill International S.A., Geneva	1-Feb-11	1-Jan-13 - 1-Mar-13	
17	LETO 2010 81,297		$12,900	5.00%	EDF Trading Limited, London	17-Jan-12	17-Jan-14 - 17-Nov-14	
	Post-Panamax Bulk Carrier							
18	ALCMENE 2010 93,193		$20,250	5.00%	Cargill International S.A., Geneva	20-Nov-10	5-Oct-12 - 4-Jan-13	
	Capesize Bulk Carriers							
19	NORFOLK 2002 164,218		$74,750	3.75%	Corus UK Limited	12-Feb-08	12-Jan-13 - 12-Mar-13	7
20	ALIKI 2005 180,235		$26,500	5.00%	Minmetals Logistics Group Co. Ltd., Beijing	1-Mar-11	1-Feb-16 - 1-Apr-16	
21	SALT LAKE CITY 2005 171,810		$55,800	5.00%	Refined Success Limited	28-Sep-07	28-Aug-12 - 28-Oct-12	
22	SIDERIS GS 2006 174,186	D	$30,500	5.00%	BHP Billiton Marketing AG	16-Oct-10	16-Feb-13 - 16-Jun-13	
23	SEMIRIO 2007 174,261	D	$17,350	5.00%	Cargill International S.A., Geneva	30-May-11	15-Mar-13 - 14-Aug-13	
24	BOSTON 2007 177,828	D	$14,000	5.00%	Morgan Stanley Capital Group Inc.	29-Oct-11	29-Aug-13 - 29-Dec-13	8

25	HOUSTON 2009 177,729	D	$55,000	4.75%	Shagang Shipping Co.	3-Nov-09	3-Oct-14 - 3-Jan-15	9
26	NEW YORK 2010 177,773	D	$48,000	3.75%	Nippon Yusen Kaisha, Tokyo (NYK)	3-Mar-10	3-Jan-15 - 3-May-15	
	Newcastlemax Bulk Carrier							
27	LOS ANGELES 2012 206,104	E	$18,000	5.00%	EDF Trading Limited, London	9-Feb-12	9-Dec-15 - 9-Apr-16	
	Vessels Under Construction							
28	PHILADELPHIA 2012 206,000	E	$18,000	5.00%	EDF Trading Limited, London	30-Apr-12	30-Dec-15 - 30-Jun-16	10,11,12
29	HULL H2528 2013 76,000	F	-	-	-	-	- - -	10
30	HULL H2529 2013 76,000	F	-	-	-	-	- - -	10

* Each dry bulk carrier is a "sister ship", or closely similar, to other dry bulk carriers that have the same letter.
** Total commission percentage paid to third parties.
*** Charterers' optional period to redeliver the vessel to owners. Charterers have the right to add the off hire days, if any, and therefore the optional period may be extended.
1 The previous charterers, Daelim Corporation, Seoul, have agreed to compensate the owners for the early redelivery of the Clio by paying US$17,000 gross per day, minus 5% commission paid to third parties, starting from the date of redelivery to owners, on February 22, 2012, to the minimum agreed redelivery date, April 8, 2012.
2 Vessel off-hire for drydocking from March 27, 2012 to April 17, 2012.
3 Vessel off-hire for drydocking from January 28, 2012 to February 22, 2012.
4 Resource Marine Pte., Ltd, Singapore is a guaranteed nominee of Macquarie Bank Limited.
5 Expected to be delivered to the Company by the sellers on April 20, 2012.
6 Estimated delivery date to charterer.
7 In September 2010, the charterer's name was changed to Tata Steel UK, Limited.
8 Morgan Stanley Capital Group Inc. has the option to employ the vessel for a further minimum of eleven (11) months to a maximum of thirteen (13) months at a gross rate of US$15,000 per day starting twenty-four (24) months after delivery of the vessel to the charterer.
9 Shagang Shipping Co. is a guaranteed nominee of the Jiangsu Shagang Group Co.
10 Year of delivery and dwt are based on shipbuilding contract.
11 This newbuilding is also referred to as Hull H1235.
12 Based on expected date of delivery to owners.

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

Management of Our Fleet

The commercial and technical management of our fleet is carried out by our wholly-owned subsidiary, Diana Shipping Services S.A., which we refer to as DSS, or our fleet manager. In exchange for providing us with commercial and technical services, personnel and office space, we pay our fleet manager a commission that is equal to 2% of our revenues, a fixed management fee of $15,000 per month for each vessel in our operating fleet and a fixed monthly fee of $7,500 for vessels under construction and for laid up vessels. These amounts are considered inter-company transactions and, therefore, are eliminated from our consolidated financial statements.

DSS also provides to Diana Containerships commercial, technical, accounting, administrative, financial reporting and other services necessary for the operation of its business, pursuant to an Administrative Services Agreement and Vessel Management Agreements. DSS receives a monthly fee of $10,000 for administrative services; a commission of 1% of the gross charterhire and freight earned by the vessels and a technical management fee of $15,000 per vessel per month for employed vessels; and will receive $20,000 per vessel per month for laid-up vessels, if any, owned by Diana Containerships. For 2010 and until January 18, 2011, such fees received by DSS, relating to the management services offered to Diana Containerships, have been eliminated from our consolidated financial statements as intercompany transactions. However, effective January 19, 2011, after the partial spin-off of Diana Containerships, they constitute part of our revenues.

Pursuant to the Broker Services Agreement, dated June 1, 2010, DSS has appointed Diana Enterprises, a related party controlled by our Chief Executive Officer and Chairman, Mr. Simeon Palios, as broker to assist it in providing services to us and Diana Containerships. Under the Broker Services Agreement, DSS pays to Diana Enterprises a commission of $1.7 million per year for Diana Shipping Inc. and $1.04 million per year for Diana Containerships. Such fees constitute part of our general and administrative expenses. Effective January 19, 2011, after the partial spin-off of Diana Containerships, fees relating to Diana Containerships do not constitute part of our expenses. In February 2012, the agreement between DSS and Diana Enterprises was terminated and replaced by a new agreement for the provision of brokerage services for an annual commission of $2.4 million paid quarterly at the beginning of each quarter and with a retroactive effect from January 2012. The agreement has a term of five years.

Our Customers

Our customers include national, regional and international companies, such as Cargill International S.A., BHP Billiton, Hanjin Shipping Company Ltd and Corus UK Limited. During 2011, three of our charterers accounted for 41% of our revenues, BHP Billiton (12%), Cargill International S.A., (18%) and Corus UK Limited (11%). During 2010, three of our charterers accounted for 44% of our revenues, BHP Billiton (18%), Cargill International S.A., (16%) and Corus UK Limited (10%).

We charter our dry bulk carriers to customers primarily pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. We have historically paid commissions that have ranged from 0% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter.

We strategically monitor developments in the dry bulk shipping industry on a regular basis and, subject to market demand, seek to adjust the charter hire periods for our vessels according to prevailing market conditions. In order to take advantage of the relatively stable cash flow and high utilization rates associated with long-term time charters, we have fixed 24 of our vessels on long-term time charters ranging in duration from 13 months to 62 months. Those of our vessels on short-term time charters provide us with flexibility in responding to market developments. We will continue to evaluate our balance of short- and long-term charters and may extend or reduce the charter hire periods of the vessels in our fleet according to the developments in the dry bulk shipping industry.

The Dry Bulk Shipping Industry

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

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

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

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

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

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

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

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

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The average age at which a vessel is scrapped over the last five years has been 31 years.

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

Charter Hire Rates

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

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

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

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

The Baltic Dry Index, or BDI, a daily average of charter rates in 20 shipping routes measured on a time charter and voyage basis and covering Capesize, Panamax, Supramax, and Handysize dry bulk carriers declined from a high of 11,793 in May 2008 to a low of 663 in December 2008. In 2009, BDI ranged from a low of 772 in January 2009 to a high of 4,661 in November 2009, representing an increase of 504%. In 2010, BDI decreased from a high of 4,209 in May 2010 to a low of 1,700 in July 2010 and in 2011 ranged from a low of approximately 1,043 in February 2011 to a high of approximately 2,173 in October 2011. As of April 10, 2012, the BDI stood at 928.

Vessel Prices

Dry bulk vessel values have declined as a result of the significant deterioration in charter rates. Consistent with these trends, the market value of our dry bulk carriers has also declined. Charter rates and vessel values remain significantly below the highs reached in May to June 2008, and there can be no assurance as to how long charter rates and vessel values will remain at their current levels or whether they will decrease or improve to any significant degree in the near future.

Competition

Our business fluctuates in line with the main patterns of trade of the major dry bulk cargoes and varies according to changes in the supply and demand for these items. We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an owner and operator. We compete with other owners of dry bulk carriers in the Panamax and smaller class sectors and with owners of Capesize 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 five groups of sister ships*. We believe that maintaining a fleet that includes sister ships enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. The uniform nature of sister ships also improves our operating efficiency by allowing our fleet manager to apply the technical knowledge of one vessel to all vessels of the same series and creates economies of scale that enable us to realize cost savings when maintaining, supplying and crewing our vessels.

- *We have an experienced management team*. Our management team consists of experienced executives who each have, on average, more than 26 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 42 years of experience in the shipping industry.

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

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

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

Permits and Authorizations

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

Environmental and Other Regulations

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

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

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the dry bulk shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other approvals necessary for the conduct of our operations as of the date of this annual report. However, because such laws and regulations are frequently changed and may impose increasingly strict requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident, such as the 2010 Deepwater Horizon oil spill, that results in significant oil pollution or otherwise causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

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

International Maritime Organization

The United Nations' International Maritime Organization, or the IMO, has adopted the International Convention for the Prevention of Marine Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (collectively referred to as MARPOL 73/78 and herein as MARPOL). MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate. MARPOL sets forth pollution-prevention requirements applicable to drybulk carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI 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. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from 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. Annex VI also includes a global cap on the sulfur content of fuel oil (see below).

The IMO's Maritime Environment Protection Committee, or MEPC, adopted amendments to Annex VI on October 10, 2008, which amendments were entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulphur contained in any fuel oil used on board ships. By January 1, 2012, the amended Annex VI requires that fuel oil contain no more than 3.50% sulfur (from the current cap of 4.50%). By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

Sulfur content standards are even stricter within certain "Emission Control Areas," or ECAs. By July 1, 2010, ships operating within an ECA may not use fuel with sulfur content in excess of 1.0% (from 1.50%), which is further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America will also be designated ECAs, as will (effective January 1, 2014), the United States Caribbean Sea. Ocean-going vessels in these areas will be subject to stringent emissions controls and may cause us to incur additional costs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL Convention standards.

The operation of our ships is also affected by the requirements set forth in Chapter IX of SOLAS, which sets forth the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System," or SMS, that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. We rely upon the safety management system that we and our technical manager have developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of the date of this filing, each of our vessels is ISM code-certified.

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

International Labour Organization

The International Labour Organization, or ILO, is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 will enter into force one year after 30 countries with a minimum of 33% of the world's tonnage have ratified it. The MLC 2006 has not yet been ratified, but its ratification would require us to develop new procedures to ensure full compliance with its requirements.

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 the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. 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. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping tonnage. To date, there has not been sufficient adoption of this standard for it to take force. However, Panama may adopt this standard in the relatively near future, which would be sufficient for it to take force. Upon entry into force of the BWM Convention, mid-ocean ballast exchange would be mandatory for our vessels. The cost of compliance could increase for ocean carriers, and these costs may be material. Our vessels would be required to be equipped with a ballast water treatment system that meets mandatory concentration limits not later than the first intermediate or renewal survey, whichever occurs first, after the anniversary date of delivery of the vessel in 2014, for vessels with ballast water capacity of 1500-5000 cubic meters, or after such date in 2016, for vessels with ballast water capacity of greater than 5000 cubic meters.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

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

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, lead to decreases in available insurance coverage for affected vessels or result in the denial of access to, or detention in, some ports. As of the date of this annual report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificate will be maintained.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

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

OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade with the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone around the United States. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. 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. OPA defines these other damages broadly to include:

(i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;

(ii) injury to, or economic losses resulting from, the destruction of real and personal property;

(iii) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;

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

(v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and

(vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels (e.g. drybulk) to the greater of $1,000 per gross ton or $854,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

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

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee.

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

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

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call. We believe that we are in substantial compliance with all applicable existing state requirements. In addition, we intend to comply with all future applicable state regulations in the ports where our vessels call.

Other Environmental Initiatives

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

The EPA regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit authorizing ballast water discharges and other discharges incidental to the operation of vessels. The Vessel General Permit imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. The EPA has proposed a draft 2013 Vessel General Permit to replace the current Vessel General Permit upon its expiration on December 19, 2013, authorizing discharges incidental to operations of commercial vessels. The draft permit also contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants.

U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. On March 23, 2012, the U.S. Coast Guard announced that it is amending its regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004, and will be effective on or around June 20, 2012. Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Our vessels that operate in such port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these requirements. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. As indicated above, our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these existing requirements.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and then extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply.

With effect from January 1, 2010, the Directive 2005/33/EC of the European Parliament and of the Council of July 6, 2005, amending Directive 1999/32/EC came into force. The objective of the directive is to reduce emission of sulfur dioxide and particulate matter caused by the combustion of certain petroleum derived fuels. The directive imposes limits on the sulfur content of such fuels as a condition of their use within a Member State territory. The maximum sulfur content for marine fuels used by inland waterway vessels and ships at berth in ports in EU countries after January 1, 2010, is 0.10% by mass.

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. However, in July 2011 the MEPC adopted two new sets of mandatory requirements to address greenhouse gas emissions from ships that will enter into force in January 2013. Currently operating ships will be required to develop Ship Energy Efficiency Management Plans, and minimum energy efficiency levels per capacity mile will apply to new ships. These requirements could cause us to incur additional compliance costs. The IMO is also considering the development of market-based mechanisms to reduce greenhouse gas emissions from ships. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessels, and in January 2012 the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the Maritime Transportation Security Act of 2002, or MTSA. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the U.S. Environmental Protection Agency, or EPA.

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

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;

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

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

Furthermore, additional security measures could be required in the future which could have a significant financial impact on us. The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

Our managers intend to implement the various security measures addressed by MTSA, SOLAS and the ISPS Code, and we intend that our fleet will comply with applicable security requirements. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

Inspection by Classification Societies

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

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

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

- ***Annual Surveys:*** For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date ofthe date of commencement of the class period indicated in the certificate.

- ***Intermediate Surveys:*** Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasions of the second or third annual survey.

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

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

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

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

Risk of Loss and Liability Insurance

General

The operation of any dry bulk vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage, and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market.

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

Hull & Machinery and War Risks Insurance

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

Protection and Indemnity Insurance

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

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group. Our vessels may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the Board of Directors of the P&I Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to. We are not aware of any supplemental calls in respect of any policy year that have not been recorded in our consolidated financial statements.

C. Organizational structure

Diana Shipping Inc. is the sole owner of all of the issued and outstanding shares of the subsidiaries listed in Note 1 of our consolidated financial statements under Item 18 and in exhibit 8.1 to this annual report.

D. Property, plants and equipment

On October 8, 2010, we acquired 100% of the issued and outstanding shares of Universal Shipping and Real Estates Inc., or Universal, and Diana Shipping Agencies S.A., or DSA, for $21.5 million. Universal and DSA together owned the real property which we were leasing as our principal executive offices in Athens, Greece from Poinsettia Management Ltd., an entity affiliated with our CEO and Chairman and with other executives. The transaction was approved by a committee consisting of the independent members of the Board of Directors. On October 21, 2010 the real property owned by Universal and DSA was transferred to DSS, and Universal and DSA were subsequently dissolved.

Other than this interest in real property, our only material properties are the vessels in our fleet.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

A. Operating results

We charter our vessels to customers primarily pursuant to short-term and long-term time charters. Currently, 24 of our vessels are employed on long-term time charters ranging in duration from 13 to 62 months. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

Factors Affecting Our Results of Operations

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

- *Ownership days.* We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

- *Available days.* We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels for such events. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

- *Operating days.* We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

- *Fleet utilization.* We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning for such events.

- *TCE rates.* We define 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,		
	2011	2010	2009
Ownership days	8,609	8,348	7,000
Available days	8,474	8,208	6,930
Operating days	8,418	8,180	6,857
Fleet utilization	99.3%	99.7%	98.9%
Time charter equivalent (TCE) rate (1)	$ 28,920	$ 32,049	$ 32,811

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

Time Charter Revenues

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

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

During 2009, our revenues decreased due to the drastic decline in market charter rates during the latter five months of 2008. During 2010, our revenues increased due to the enlargement of our fleet and the consolidation of Diana Containerships's fleet. At the same time, we maintained relatively high vessel utilization rates. Revenues in 2011 decreased, both as a result of the deconsolidation of Diana Containerships after its partial spin-off in January 2011 and the decreasing average market charter rates. For 2012, we expect our revenue to decrease further if rates remain at current levels, despite of the enlargement of our fleet in 2012. Currently, six of our vessels are employed on time charters scheduled to expire within the next six months, at which time we expect to enter into new charters for those vessels. 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.

Voyage Expenses

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

As is common in the shipping industry, we have historically paid commissions ranging from 0% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition to commissions paid to third parties, we have historically paid our fleet manager a commission that is equal to 2% of our revenues in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. However, this commission has been eliminated from our consolidated financial statements as an intercompany transaction since April 1, 2006 (after DSS was acquired). During 2010 and until January 18, 2011, Diana Containerships has also paid our fleet manager a commission of 1%, which has also been eliminated from our consolidated financial statements as an intercompany transaction. After its partial spin-off in January 2011, the 1% commission paid by Diana Containerships constitutes revenue of DSS.

We expect that the amount of our total commissions in 2012 will decrease due to decreased charter hire rates and 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 and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet which was partly offset in 2011 due to Diana Containerships' deconsolidation. In 2012, we expect these expenses to increase due to the enlargement of our fleet. There may also be other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for insurance and crew wages that may cause these expenses to increase.

Vessel Depreciation

The cost of our vessels is depreciated on a straight-line basis over the estimated useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated salvage value. We estimate the useful life of our dry bulk vessels to be 25 years from the date of initial delivery from the shipyard, which we believe is common in the dry bulk shipping industry. Furthermore, we estimate the salvage values of our vessels based on historical average prices of the cost of the light-weight ton of vessels being scrapped. Our depreciation charges have increased in recent periods due to the enlargement of our fleet which has also led to an increase of ownership days which was partly offset in 2011 due to Diana Containerships' deconsolidation. We expect that these charges will increase in 2012 due to the enlargement of our fleet.

General and Administrative Expenses

We incur general and administrative expenses which include our onshore related expenses such as legal and professional expenses and other general vessel expenses. Our general and administrative expenses also include payroll expenses of employees, executive officers and consultants, compensation cost of restricted stock awarded to senior management and non-executive directors, traveling, promotional and other expenses of the public company. Subsequent to April 2006, our general and administrative expenses increased as a result of our acquisition of our fleet manager and in 2010 due to our ownership of Diana Containerships and decreased in 2011 due to Diana Containerships' deconsolidation. In 2012 we expect such costs to increase due to increased compensation cost on restricted stocks.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with the vessel-specific debt. As of December 31, 2011 and 2010, we had $374.3 million and $385.0 million of indebtedness outstanding, respectively. We incur interest expense and financing costs relating to our outstanding debt. Currently, our debt amounts to $425.9 million and we expect to incur additional debt to finance part of the construction cost of the *Philadelphia*, which we expect to take delivery of at the end of April 2012. We may incur additional debt to finance future acquisitions or constructions. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

Lack of Historical Operating Data for Vessels before Their Acquisition

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

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

We entered into agreements to purchase vessels with time charters assumed for the *Thetis*, the *Salt Lake City,* the *Norfolk* and the *Houston*. Accordingly, we evaluated the charters of those vessels and recognized an asset in the case of the *Thetis* and the *Houston* with a corresponding decrease of the vessel's value, and a liability in the case of the *Salt Lake City,* with a corresponding increase of the vessel's value and the actual cost for the *Norfolk*. The asset recognized for the *Thetis* was fully amortized to revenue in 2007 and for *Houston* will be fully amortized in 2014. The liability recognized for the *Salt Lake City* will be fully amortized in 2012 (when the charter contract expires).

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

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- in some cases, obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;

- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

When we charter a vessel pursuant to a long-term time charter agreement with varying rates, we recognize revenue on a straight line basis, equal to the average revenue during the term of the charter. We had such varying rates pursuant to our time charter agreements for the *Sideris GS*, which expired in October 2010, the *Aliki,* which expired in March 2011 and the *Semirio,* which expired in May 2011.

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

Our business is comprised of the following main 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 require the following main 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, or 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 requires the following main components:

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

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

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

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

In Item 5. "Critical Accounting Policies – Impairment of Long-lived Assets," we discuss our policy for impairing the carrying values of our vessels. Historically, the market values of vessels have experienced volatility, which from time to time may be substantial. As a result, the charter-free market value of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy.

Based on (i) the carrying value of each of our vessels as of December 31, 2011, and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2011, the aggregate carrying value of 15 of the vessels in our fleet as of December 31, 2011 exceeded their aggregate charter-free market value by approximately $442 million, as noted in the table below. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net income if we sold all of such vessels at December 31, 2011, on charter free basis, on industry standard terms, in cash transactions, and to a willing buyer where we were not under any compulsion to sell, and where the buyer was not under any compulsion to buy. For purposes of this calculation, we have assumed that these 15 vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2011. However, as of the same date, most of those dry bulk vessels were employed for their remaining charter duration, under time charters which we believe were above market levels. We believe that if the vessels were sold with those charters attached, we would have received a premium over their charter-free market value. However, as of December 31, 2011 and as of the date of this annual report, we were not and are not holding any of our vessels for sale.

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

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

As we obtain information from various industry and other sources, our estimates of charter-free market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future charter-free market value of our vessels or prices that we could achieve if we were to sell them. We also refer you to the risk factors entitled "*The market values of our vessels have decreased, which could limit the amount of funds that we can borrow under our credit facilities", "The market values of our vessels have decreased, which could cause us to breach covenants in our credit facilities and adversely affect our operating results"* and the discussion herein under the heading Item 4B. "Business Overview – Vessel Prices."

	Vessel	Dwt	Year Built	Carrying Value (in millions of US dollars)
Dry bulk vessels				
1	Nirefs	75,311	2001	12.3
2	Alcyon	75,247	2001	12.3
3	Triton	75,336	2001	12.5

4	Oceanis	75,211	2001	12.5
5	Dione	75,172	2001	14.3
6	Danae	75,106	2001	14.4
7	Protefs	73,630	2004	15.5
8	Calipso	73,691	2005	15.8
9	Clio	73,691	2005	16.3
10	Thetis	73,583	2004	29.4 *
11	Erato	74,444	2004	29.5 *
12	Coronis	74,381	2006	32.6 *
13	Naias	73,546	2006	31.5 *
14	Sideris GS	174,186	2006	73.3 *
15	Aliki	180,235	2005	88.3 *
16	Semirio	174,261	2007	81.0 *
17	Boston	177,828	2007	92.7 *
18	Salt Lake City	171,810	2005	136.6 *
19	Norfolk	164,218	2002	109.3 *
20	Houston	177,729	2009	57.7 *
21	Melite	76,436	2004	31.8 *
22	New York	177,773	2010	58.6 *
23	Alcmene	93,193	2010	39.1 *
24	Arethusa	73,593	2007	29.4 *
Total for dry bulk vessels		**2,609,611**		**1,046.7**

***** Indicates dry bulk vessels for which we believe, as of December 31, 2011, 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 $442 million.

Critical Accounting Policies

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

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

Accounts Receivable, Trade

Accounts receivable, trade, at each balance sheet date, include receivables from charterers for hire net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.

Accounting for Revenues and Expenses

Revenues are generated from time charter agreements and are usually paid 15 days in advance. Time charter agreements with the same charterer are accounted for as separate agreements according to the terms and conditions of each agreement. Time charter revenues are recorded over the term of the charter as service is provided when they become fixed and determinable. Revenues from time charter agreements providing for varying annual rates over their term are accounted for on a straight line basis. Income representing ballast bonus payments by the charterer to the vessel owner is recognized in the period earned. Deferred revenue includes cash received prior to the balance sheet date for which all criteria for recognition as revenue have not been met, including any deferred revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis. Deferred revenue also includes 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 port, canal and bunker expenses that are unique to a particular charter, are paid for by the charterer under time charter arrangements or by the Company under voyage charter arrangements, except for commissions, which are always paid for by the Company, regardless of charter type. All voyage and vessel operating expenses are expensed as incurred, except for commissions. Commissions are deferred over the related voyage charter period to the extent revenue has been deferred since commissions are due as the Company's revenues are earned.

Prepaid/Deferred Charter Revenue

The Company records identified assets or liabilities associated with the acquisition of a vessel at fair value, determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. When the present value of the contractual cash flows of the time charter assumed is greater than its current fair value, the difference is recorded as prepaid charter revenue. When the opposite situation occurs, any difference, capped to the vessel's fair value on a charter free basis, is recorded as deferred revenue. Such assets and liabilities, respectively, are amortized as a reduction of, or an increase in, revenue over the period of the time charter assumed. We test such assets for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Vessel Depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our dry bulk vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard which we believe is common in the dry bulk shipping industry. Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. Depreciation is based on cost less the estimated salvage value. Furthermore, we estimate the salvage values of our vessels based on historical average prices, which we believe is common in the dry bulk shipping industry. A decrease in the useful life of a vessel or in its salvage value would have the effect of increasing the annual depreciation charge. When regulations place limitations on the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted at the date such regulations are adopted.

Deferred Drydock Cost

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

Impairment of Long-lived Assets

We evaluate the carrying amounts (primarily for vessels and related drydock costs and for our interest in land and office building and the related equipment) and periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. When the estimate of undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of the asset 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. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. The current conditions in the dry bulk market with decreased charter rates and decreased vessel market values are conditions that the Company considers indicators of a potential impairment.

We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying value. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days (based on the most recent ten-year blended (for modern and older vessels) average historical one-year time charter rates available for each type of vessel) over the remaining estimated life of each vessel, net of brokerage commissions, expected outflows for scheduled vessels' maintenance and vessel operating expenses assuming an average annual inflation rate of 3%. 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 and Capesize vessels with dwt over 70,000 and 150,000, respectively) and they cover at least a full business cycle. The average annual inflation rate applied on vessels' maintenance and operating costs approximates current projections for global inflation rate for the remaining useful life of our vessels. Effective fleet utilization is assumed at 98%, taking into account the period(s) each vessel is expected to undergo her scheduled maintenance (drydocking and special surveys), as well as an estimate of 1% off hire days each year, assumptions in line with the Company's historical performance and our expectations for future fleet utilization under our current fleet deployment strategy.

Our impairment test exercise is highly 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, indicates that there is no impairment of individual long lived assets. However, there can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

Derivatives

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

Results of Operations

Year ended December 31, 2011 compared to the year ended December 31, 2010

Time Charter Revenues. Time charter revenues decreased by $19.7 million, or 7%, to $255.7 million for 2011, compared to $275.4 million for 2010. The decrease was due to a 10% decrease of our average charter rates in 2011 compared to 2010 and also the deconsolidation of Diana Containerships in January 2011. Time charter revenues of the Diana Containerships's fleet amounted to $0.6 million in 2011 (before its deconsolidation in January 2011) and $5.7 million in 2010. The decrease was partly off-set by a 3% increase of our ownerships days resulting from the delivery of new vessels to our fleet following our acquisition of the *Arethusa* in July 2011 and also the *Melite,* the *New York* and the *Alcmene* in January, March and November 2010, respectively. In 2011 we had total operating days of 8,418 and fleet utilization of 99.3%, compared to 8,180 total operating days and a fleet utilization of 99.7% in 2010.

Other Revenues. Other revenues amounted to $1.1 million, and consist of the income derived from the management and administrative agreements between DSS and Diana Containerships since its deconsolidation on January 18, 2011.

Voyage Expenses. Voyage expenses decreased by $1.8 million, or 15%, to $10.6 million in 2011 compared to $12.4 million in 2010. This decrease in voyage expenses is primarily attributable to the decrease in commissions paid to unaffiliated ship brokers and in-house ship brokers associated with charterers, but also due to deconsolidation of Diana Containerships. Voyage expenses relating to Diana Containerships's fleet in 2010 amounted to $0.3 million while in 2011 Diana Containerships' fleet voyage expenses before its deconsolidation on January 18, 2011 amounted to $21,570. Commissions are a percentage of time charter revenues and as such they follow the same trend with time charter revenues. The decrease in voyage expenses was also due to an increase in the gains from bunkers amounting to $1.7 million in 2011 compared to gains in bunkers of $0.7 million in 2010. These gains are the result of the different prices of bunkers at the delivery and redelivery of our vessels for which fixtures were renewed during the year.

Vessel Operating Expenses. Vessel operating expenses increased by $2.8 million, or 5%, to $55.4 million in 2011 compared to $52.6 million in 2010. The increase in operating expenses is primarily attributable to the 3% increase in ownership days resulting from the delivery of our new vessels to our fleet, the *Arethusa* in July 2011 and *the Melite,* the *New York* and the *Alcmene*, in January, March and November 2010, respectively, partly offset by the days lost due to the deconsolidation of Diana Containerships. This increase was also due to increased daily crew costs in 2011 compared to 2010 and was partly offset by decreases in all other categories of operating expenses and the deconsolidation of Diana Containerships. Vessel operating expenses relating to Diana Containerships in 2011 (before its deconsolidation in January 2011) amounted to $0.2 million compared to $2.9 million in 2010. Daily operating expenses were $6,432 in 2011 compared to $6,299 in 2010, representing a 2% increase.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by $2.2 million, or 4%, to $55.3 million for 2011, compared to $53.1 million for 2010. This increase was mainly the result of both the enlargement of our dry bulk fleet which resulted in increased depreciation in 2011 compared to 2010 and the increase in amortization of deferred drydocking costs. The increase was partly offset by reduced depreciation costs due to the deconsolidation of Diana Containerships. Depreciation charges relating to Diana Containerships's fleet in 2011 (before its deconsolidation in January 2011) amounted to $0.1 million compared to $1.5 million in 2010.

General and Administrative Expenses. General and Administrative Expenses for 2011 decreased by $0.2 million, or 1%, to $25.1 million compared to $25.3 million in 2010. The decrease is mainly attributable to the deconsolidation of Diana Containerships, office rent and taxes relating to the acquisition of the building in 2010 and legal fees and was partly offset by increases in salaries and compensation cost on restricted stock awards to executive management and non-executive directors. General and Administrative Expenses for Diana Containerships, amounted to $0.3 million in 2011 (before its deconsolidation in January 2011) compared to $3.5 million in 2010.

Interest and Finance Costs. Interest and finance costs decreased by $0.3 million, or 6%, to $4.9 million in 2011 compared to $5.2 million in 2010. The decrease is primarily attributable to lower average interest rates and the deconsolidation of Diana Containerships and was partly offset by higher average long term debt outstanding during 2011 compared to 2010. Interest and finance costs relating to Diana Containerships in 2010 amounted to $0.5 million, of which $0.3 million related to interest costs. Interest and finance costs relating to Diana Containerships its deconsolidation on January 18, 2011 amounted to $46,663. Interest costs in 2011 amounted to $4.5 million compared to $4.6 million in 2010.

Interest Income. Interest income increased by $0.1 million, or 11%, to $1.0 million in 2011 compared to $0.9 million in 2010. The increase is attributable to increased levels of cash on hand during the year despite the deconsolidation of Diana Containerships. Interest income relating to Diana Containerships in 2010 amounted to $0.1 million.

Gain/(Loss) from Derivative Instruments. Loss from derivative instruments decreased by $0.8 million, or 53%, to $0.7 million in 2011 compared to $1.5 million in 2010 and includes both realized and unrealized losses. The decrease is due to the unrealized losses which decreased to $39,410 in 2011 compared to $0.8 million in 2010 and was partly set-off by an increase in realized losses which in both 2011 and 2010 amounted to of $0.7 million.

Income from Investment in Diana Containerships Inc. Income from our investment in Diana Containerships amounted to $1.2 million in 2011 and derives from the valuation of the investment under the equity method after the deconsolidation of Diana Containerships in January 2011. In 2010 there was no such amount as Diana Containerships was consolidated with our financial statements.

Year ended December 31, 2010 compared to the year ended December 31, 2009

Time Charter Revenues. Time charter revenues increased by $36.1 million, or 15%, to $275.4 million for 2010, compared to $239.3 million for 2009. The increase was due to the 19% increase of our ownerships days resulting from the delivery of our new vessels to our fleet following our acquisition of the *Melite,* the *New York* and the *Alcmene* in January, March and November 2010, respectively, the delivery of the *Houston* in October 2009 and the consolidation of Diana Containerships's fleet in 2010. The increase was partly off-set by a 2% decrease of our average charter rates in 2010 compared to 2009. Time charter revenues of the Diana Containerships's fleet amounted to $5.7 million in 2010. Also, in 2010 we had total operating days of 8,180 and fleet utilization of 99.7%, compared to 6,857 total operating days and a fleet utilization of 98.9% in 2009.

Voyage Expenses. Voyage expenses increased by $0.4 million, or 3%, to $12.4 million in 2010 compared to $12.0 million in 2009. This increase in voyage expenses is primarily attributable to the increase in commissions paid to unaffiliated ship brokers and in-house ship brokers associated with charterers. Commissions are a percentage of time charter revenues and as such they follow the same trend as time charter revenues. The increase in voyage expenses was offset by gains in bunkers amounting to $0.7 million in 2010 compared to losses in bunkers of $0.8 million in 2009. These fluctuations are the result of the different prices of bunkers at the delivery and redelivery of our vessels for which fixtures were renewed during the year. Voyage expenses relating to Diana Containerships's fleet in 2010 amounted to $0.3 million.

Vessel Operating Expenses. Vessel operating expenses increased by $11.2 million, or 27%, to $52.6 million in 2010 compared to $41.4 million in 2009. The increase in operating expenses is attributable to the 19% increase in ownership days resulting from the delivery of our new vessels to our fleet, the *Melite,* the *New York* and the *Alcmene*, in January, March and November 2010, respectively, the delivery of the *Houston* in October 2009 and the consolidation of Diana Containerships's fleet in 2010, and from increased daily costs in stores, spares and repairs. This increase was partly offset by reduced daily crew costs in 2010 compared to 2009. Daily operating expenses were $6,299 in 2010 compared to $5,910 in 2009, representing a 7% increase. Vessel operating expenses relating to Diana Containerships in 2010 amounted to $2.9 million, or 5.5% of our total vessel operating expenses.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by $8.4 million, or 19%, to $53.1 million for 2010, compared to $44.7 million for 2009. This increase is the result of both the enlargement of our dry bulk fleet and the consolidation of Diana Containerships's fleet, which resulted in increased depreciation in 2010 compared to 2009; and also the increase in amortization of deferred charges. Depreciation and amortization of deferred charges relating to Diana Containerships's fleet in 2010 amounted to $1.5 million.

General and Administrative Expenses. General and Administrative Expenses for 2010 increased by $7.8 million, or 45%, to $25.3 million compared to $17.5 million in 2009. The increase is mainly attributable to increases in salaries and compensation cost relating to restricted stock awards to executive management and non-executive directors. We also incurred additional General and Administrative Expenses for Diana Containerships, which amounted to $3.5 million.

Interest and Finance Costs. Interest and finance costs increased by $1.9 million, or 58%, to $5.2 million in 2010 compared to $3.3 million in 2009. The increase is primarily attributable to higher interest rates and higher average long term debt outstanding during 2010 compared to 2009. Interest costs in 2010 amounted to $4.6 million compared to $2.9 million in 2009. Interest and finance costs relating to Diana Containerships in 2010 amounted to $0.5 million, of which $0.3 million related to interest costs.

Interest Income. Interest income decreased by $0.1 million, or 10%, to $0.9 million in 2010 compared to $1.0 million in 2009. The decrease is attributable to decreased average interest rates on deposits and was partly offset by increased levels of cash on hand during the year. Interest income relating to Diana Containerships in 2010 amounted to $0.1 million.

Inflation

Inflation has only a moderate effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

B. Liquidity and Capital Resources

We have historically financed our capital requirements with cash flow from operations, equity contributions from shareholders and long-term bank debt. Our main uses of funds have been capital expenditures for the acquisition of new vessels, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards, repayments of bank loans and payments of dividends. We will require capital to fund ongoing operations, the construction of our new vessels and debt service. Working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to $384.6 million at December 31, 2011 and $322.1 million at December 31, 2010.

We anticipate that internally generated cash flow will be sufficient to fund the operations of our fleet, including our working capital requirements. As of December 31, 2011, we had $416.7 million of Cash and cash equivalents, $9.3 million available under our revolving credit facility with the Royal Bank of Scotland to finance future vessel acquisitions or for working capital purposes and up to $82.6 million available under our loan facility with the Export-Import Bank of China and DnB NOR Bank ASA, to finance part of the construction cost of our two Newcastlemax vessels, one of which was delivered in February 2012 and the other which is expected in April 2012. When *Los Angeles* was delivered, we drew down $37.5 million under the related loan facility, therefore the amount available to be drawn, currently, has been reduced to $41.3 million.

Cash Flow

Cash and cash equivalents increased to $416.7 million as of December 31, 2011 compared to $345.4 million as of December 31, 2010. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided By Operating Activities

Net cash provided by operating activities decreased by $24.1 million, or 14%, to $154.2 million in 2011 compared to $178.3 million in 2010. The decrease was primarily attributable to the decrease in revenues, an increase in trade receivables and the increase of expenses, which caused an increase in current liabilities.

Net cash provided by operating activities increased by $26.4 million, or 17%, to $178.3 million in 2010 compared to $151.9 million in 2009. The increase was primarily attributable to the increase in revenues due to the addition in our fleet of our vessels *Melite*, *New York* and *Alcmene* in January, March and November 2010, respectively and the delivery of the *Houston* in October 2009 and was partly offset by operating losses incurred by Diana Containerships's fleet.

Net Cash Used In Investing Activities

Net cash used in investing activities was $90.4 million in 2011, which consists of $28.2 million of advances and costs paid for our two vessels under construction and the advance for the vessel *Leto* delivered to us in January 2012; $30.1 million of amounts paid for the acquisition during the year of the vessel *Arethusa*; $12.0 million of cash disposed-off upon the partial spin-off of Diana Containerships; $20.0 million paid to participate in Diana Containerships' public offering in June 2011; $0.1 million of dividends received from Diana Containerships during the year and $0.2 million relating to purchases of furniture, equipment and software development costs.

Net cash used in investing activities was $252.3 million in 2010, which consists of $35.3 million of advances for our vessels under construction; $202.9 million of amounts paid for vessel acquisitions; $21.5 million for the acquisition of the real estate property which we were leasing as our principal executive offices in Athens; $7.7 million of investments in time deposits transferred to cash and cash equivalents; and $0.3 million relating to purchases of furniture, equipment and software development costs.

Net cash used in investing activities was $73.1 million in 2009, which consists of $65.2 million of advances for vessels under construction; $7.7 million of investments in long term time deposits; and $0.2 million relating to purchases of furniture and equipment.

Net Cash Provided By Financing Activities

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

Net cash provided by financing activities was $137.0 million in 2010, which consists of $138.5 million of proceeds drawn under our loan facilities and $35.8 million of indebtedness that we repaid; $35.2 million of contributions received by Diana Containerships from third parties (non-controlling interests) in a private offering in April 2010; $0.1 million proceeds received under our dividend reinvestment plan; and $1.0 million that we paid in financing costs relating to our new loan agreements.

Net cash provided by financing activities was $141.6 million in 2009, which consists of $73.6 million of proceeds drawn under our loan facilities and $30.1 million of indebtedness that we repaid; $98.4 million of proceeds received from an issuance of 6,000,000 shares of common stock in May 2009; $0.1 million proceeds received under our dividend reinvestment plan; and $0.4 million that we paid in financing costs relating to our new loan agreements.

Loan Facilities

The Royal Bank of Scotland Plc., or RBS: In February 2005, we entered into a $230.0 million secured revolving credit facility with RBS, which was amended on May 24, 2006, to increase the facility amount to $300.0 million. Our credit facility permits us to borrow up to $50.0 million for working capital of which $9.3 million is currently available. In January 2007, we entered into a supplemental agreement with The Royal Bank of Scotland Plc. for a 364-day standby credit facility of up to $200.0 million that expired in March 2008. We draw funds under our $300.0 million credit facility to fund vessel acquisitions.

The $300.0 million revolving credit facility has a term of ten years from May 24, 2006, which we refer to as the availability date, and we are permitted to borrow up to the facility limit, provided that conditions to drawdown are satisfied and that borrowings do not exceed 75% of the aggregate market value of the mortgaged vessels. The facility limit is $300.0 million for a period of six years from the availability date, at which time the facility limit will be reduced to $285.0 million. Thereafter, the facility limit will be reduced by $15.0 million semi-annually over a period of four years with a final reduction of $165.0 million together with the last semi-annual reduction.

The credit facility has commitment fees of 0.25% per annum on the amount of the undrawn balance of the facility, payable quarterly in arrears. Interest on amounts drawn are payable at a rate ranging from 0.75% to 0.85% per annum over LIBOR.

As of December 31, 2011 and as of the date of this annual report, we had $290.7 million of principal balance outstanding under our $300.0 million revolving credit facility.

The credit facility contains financial and other covenants requiring us, among other things, to ensure that the aggregate market value of the vessels in our fleet that secure our obligations under the credit facility at all times exceeds 120% of the aggregate principal amount of debt outstanding under the facility and the notional or actual cost of terminating any relating hedging arrangements; our total assets minus our debt will not at any time be less than $150 million and at all times will exceed 25% of our total assets; we maintain $0.40 million of liquid funds per vessel in the fleet financed or mortgaged through the credit facility, to the extent that the available working capital portion of the credit facility does not exceed such amount.

For the purposes of the credit facility, our "total assets" are defined to include our tangible fixed assets and our current assets, as set forth in our consolidated financial statements.

The credit facility contains general covenants that require us to maintain adequate insurance coverage and to obtain the lender's consent before we acquire new vessels, change the flag, class or management of our vessels, enter into time charters or consecutive voyage charters that have a term that exceeds, or which by virtue of any optional extensions may exceed a certain period, or enter into a new line of business. In addition, the credit facility includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenants, representation and warranty, a cross-default to other indebtedness and non-compliance with security documents. Our obligations under our credit facility are secured by a first priority or preferred ship mortgage on certain vessels in our fleet and such other vessels that we may from time to time include with the approval of our lenders; and a first assignment of all freights, earnings, insurances and requisition compensation; corporate guarantees; and pledges of the outstanding stock of our subsidiaries. We may grant additional security from time to time in the future. Our credit facility does not prohibit us from paying dividends as long as an event of default has not occurred.

Bremer Landesbank, or Bremer: In October 2009, we, through Gala Properties Inc., entered into a loan agreement with Bremer to partly finance or, as the case may be, refinance the contract price of the *Houston* for an amount of $40.0 million. The loan has a term of ten years and is repayable in 40 quarterly installments of $0.9 million plus one balloon installment of $4.0 million to be paid together with the last installment. The loan bears interest at Libor plus a margin of 2.15% per annum for the first two years, or the Initial Margin Application Period. Upon expiration of the Initial Margin Application Period, Bremer did not propose a new margin for the remaining security period or part thereof, for agreement by Gala Properties Inc., so the margin of 2.15% remains current. We drew down the loan amount of $40.0 million in November 2009 after the delivery of the *Houston* in October 2009.

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

As of December 31, 2011 and as of the date of this annual report, we had $32.8 million and $31.9 million, respectively, of principal balance outstanding under our $40.0 million loan facility with Bremer.

Deutsche Bank AG, or Deutsche: In October 2009, we, through Bikini Shipping Company Inc., entered into a loan agreement with Deutsche to partly finance or, as the case may be, refinance the contract price of the *New York* for an amount of $40.0 million but not exceeding 80% of the fair value of the vessel. The loan has a term of five years and is repayable in 19 quarterly installments of $0.6 million, or the 1.50% of the loan amount and a 20th installment equal to the remaining outstanding balance of the loan. The loan bears interest at Libor plus a margin of 2.40% per annum. We drew down the loan amount of $40.0 million in March 2010 on the delivery of the *New York*.

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

As of December 31, 2011 and as of the date of this annual report, we had $35.8 million and $35.2 million, respectively, of principal balance outstanding under our $40.0 million loan facility with Deutsche.

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

The repayment of the loan was in 24 quarterly installments of $165,000 for each advance and a balloon of $6.04 million payable together with the last installment. The loan bore interest at LIBOR plus a margin of 2.40% per annum. An arrangement fee of $0.4 million was paid on signing the facility agreement. The loan bore commitment fees of 0.96%, on the undrawn part of the loan.

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

Export-Import Bank of China and DnB NOR Bank ASA, or CEXIM and DnB NOR: In October 2010, we, through our wholly owned subsidiaries, Lae Shipping Company Inc. and Namu Shipping Company Inc., entered into a loan agreement with CEXIM and DnB NOR to finance part of the acquisition cost of our newbuildings *Hull 1234,* or *Los Angeles*, and *Hull 1235*, to be named *Philadelphia,* for an amount of up to $82.6 million. The loan is available until November 30, 2012 in two advances with each advance not exceeding the lower of $41.3 million and the 70% of the market value of the ship relevant to it. The repayment of the loan is in 40 quarterly installments of $692,500 for each advance and a balloon of $13.6 million payable together with the last installment. Each Bank has the right to demand repayment of the outstanding balance of any advance 72 months after the respective advance drawdown. Such demand shall be subject to written notification to be made no earlier than 54 months and not later than 60 months after the respective drawdown date for that advance. The loan bears interest at LIBOR plus a margin of 2.50% per annum. The loan bears commitment fees of 0.50% per annum, on the undrawn portion of the loan and an agency fee of $10,000 paid annually until full repayment of the loan. An arrangement and structuring fee of $0.6 million was paid on signing the agreement along with the payment of the annual agency fee.

The loan is secured by a first preferred ship mortgage on the vessels, general assignments, charter assignments, operating account assignments, a corporate guarantee from Diana Shipping Inc. and manager's undertakings. The lender may also require additional security, if at any time the market value of the ships becomes less than the 125% of the aggregate of (a) the loan and (b) the swap exposure. Additionally, the borrowers are required to maintain minimum liquidity of $0.4 million at each operating account, and the guarantor is required to maintain net worth of not less than $150.0 million and at least 25% of the total assets and an average cash balance of $10.0 million. As at December 31, 2011, we did not have any balance outstanding under the loan, however as of the date of this annual report, we had $37.5 million outstanding, which we drew down to finance part of the construction cost of the *Los Angeles* delivered in February 2012. Because the tranche that was drawn was at the 70% of the market value of the vessel the related repayment installments will be reduced proportionately.

Emporiki Bank of Greece S.A.: On September 13, 2011, Bikar entered into a loan agreement with Emporiki Bank of Greece S.A., or Emporiki, for a loan of up to $15.0 million to refinance part of the acquisition cost of the *Arethusa*. The loan is repayable in twenty equal semiannual installments of $0.5 million each, starting six months from drawdown and a balloon payment of $5.0 million to be paid together with the last installment not later than ten years from the drawdown date. 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. As at December 31, 2011, the loan amount was equivalently secured by cash pledged in favor of the bank and as such the loan bore interest at LIBOR plus 1% margin. The loan also bore commitment fees of 0.50% per annum, on the undrawn portion of the loan. An arrangement fee of $45,000 was paid on signing the agreement.

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

As of December 31, 2011 and as of the date of this annual report, we had $15.0 million and $14.5 million, respectively, of principal balance outstanding under our $15.0 million loan facility with Emporiki.

Nordea Bank Finland Plc.: On February 7, 2012, we, through our wholly owned subsidiary Jemo Shipping Inc., or Jemo, entered into an agreement with Nordea Bank Finland Plc, London Branch, or Nordea, for a secured term loan facility of $16.1 million, to partly finance the acquisition cost of the *Vathy,* renamed *Leto*. The loan, which was drawn on February 7, 2012 has a term of five years and is repayable in 20 consecutive equal quarterly installments of approximately $0.25 million, commencing 3 months after the initial borrowing date and a balloon payment of approximately $11.1 million payable together with the final quarterly installment. The loan bears interest at Libor plus a margin of 2.5%, has commitment fees of 0.5% per annum on the undrawn amount under the facility from the date of the commitment letter until drawdown and an arrangement fee of 1.2% of the facility amount that was paid on signing of the agreement.

The loan is secured with a corporate guarantee from us, a first priority mortgage on the vessel *Leto*, first priority assignment of earnings, first priority pledge of the earnings account, first priority assignment of the vessel's current time charter and any subsequent charter contracts with a duration of 12 months or more, first priority assignment of insurances, first priority pledge over the shares of Jemo and manager's letter of subordination of rights. The loan also has financial covenants such as minimum liquidity of $0.5 million per vessel owned by the guarantor, minimum market-adjusted equity ratio of 25%, minimum market-adjusted net worth of $150 million and minimum hull value of 125% of the outstanding principal amount. Finally, we are not permitted to pay any dividends that would result in breach of financial or other covenants.

Currently, fourteen of our vessels have been provided as collateral to secure our credit facility with RBS; one vessel has been provided as collateral to secure our loan facility with Bremer; one vessel to secure our loan facility with Deutsche; one vessel to secure our loan facility with Emporiki; one vessel to secure our loan facility with CEXIM and DnB NOR and one vessel to secure our loan facility with Nordea.

For the year ended December 31, 2011 we obtained waivers from RBS, Deutsche, DnB NOR and Emporiki for our share repurchase program. Currently, we believe we are in compliance with all covenants relating to our loan facilities.

As of December 31, 2011, 2010 and 2009 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments. In May 2009, we entered into a five-year zero cost collar agreement with a floor at 1% and a cap at 7.8% of a notional amount of $100.0 million to manage our exposure to interest rate changes related to our borrowings. The collar agreement is considered as an economic hedge agreement as it does not meet the criteria of hedge accounting; therefore, the change in its fair value is recognized in earnings. As of December 31, 2011 the fair value of the floor resulted in losses of $1.1 million and the cap in gains of $23,000 resulting to an aggregate loss of $1.0 million equal to losses incurred in 2010. Also during 2011, 2010 and 2009 we incurred unrealized losses from the swap amounting to about $39,000, $0.8 million and $0.2 million, respectively, and realized losses of $0.7 million, $0.7 million and $0.3 million, respectively.

Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions which we finance with cash from operations, debt under loan facilities that provide necessary funds at terms acceptable to us, or with funds from equity issuances. Currently, we have contractual obligations relating to the construction of three newbuildings, amounting to $84.1 million. We will fund part of the construction cost of our Newcastlemax vessel with funds under our loan agreement with CEXIM and DnB NOR and with cash on hand. We expect to fund the construction cost of our two ice class Panamax dry bulk vessels and the Panamax dry bulk vessel we have agreed to acquire with cash on hand. We also expect to incur capital expenditures relating to improvements to our office building, which we will fund with cash on hand.

We incur additional capital expenditures when our vessels undergo surveys. This process of recertification may require us to reposition these vessels from a discharging port to shipyard facilities, which will reduce our operating days during the period. The loss of earnings associated with the decrease in operating days, together with the capital needs for repairs and upgrades results in increased cash flow needs which we fund with cash on hand.

C. Research and development, patents and licenses

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

D. Trend information

Our results of operations depend primarily on the charter hire rates that we are able to realize, and the demand for drybulk vessel services. After reaching historical highs in mid-2008, charter hire rates for Panamax and Capesize drybulk vessels reached near historically low levels. For example, the BDI declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94% within a single calendar year. During 2011, the BDI remained volatile, reaching a low of 1,043 on February 4, 2011 and a high of 2,173 on October 14, 2011. On February 3, 2012, the BDI reached a 26 year low of 647, due to a combination of weak demand and further growth in vessel supply. As of April 10, 2012, the BDI stood at 928.

The decline and volatility in charter rates in the drybulk market reflects in part the fact that the supply of drybulk vessels in the market has been increasing, and the number of newbuild drybulk vessels on order is near historic highs. Demand for drybulk 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 drybulk services may decrease in the future. The combination of increasing drybulk capacity (both current and expected) and decreasing demand or demand which is not offset by the increase in drybulk capacity is likely to result in reductions in charter hire rates and, as a consequence, adversely affect our operating results.

Additionally, we believe we have structured our capital expenditure requirements, debt commitments and liquidity resources is a way that will provide us with financial flexibility (see "Item 5.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, 2011, as adjusted to reflect (i) the drawdown of $16.1 million under our loan with Nordea; (ii) the drawdown of $37.5 million under our loan with CEXIM and DnB NOR; (iii) the delivery of our Newcastlemax dry bulk vessel *Los Angeles* in February 2012 and the payment in March 2012, of one additional predelivery installment for the construction of hull *H1235* to be named *Philadelphia*, amounting to $5.8 million; (iv) the new Brokerage Services Agreement between DSS and Diana Enterprises, dated February 22, 2012, but with effect from January 1, 2012; (v) the two contracts we entered into in March 2012 for the construction of two Panamax dry bulk carriers for an aggregate contract price of $58.0 million; and (vi) the memorandum of agreement we entered into in March 2012 for the acquisition of one Panamax dry bulk carrier for $20.65 million:

	Payments due by period				
Contractual Obligations	**Total Amount**	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
		(in thousands of US dollars)			
Loan Agreements (1)	$ 427,875	$ 30,340	$ 81,040	$ 254,840	$ 61,655
Construction contracts (2)	84,100	34,800	49,300	-	-
Memorandum of Agreement (3)	20,650	20,650	-	-	-
Broker services agreement (4)	12,260	2,384	4,768	4,768	340
Total	$ 544,885	$ 88,174	$ 135,108	$ 259,608	$ 61,995

(1) As of December 31, 2011 we had an aggregate principal of $374.3 million of indebtedness outstanding under our loan facilities. In February 2012, we drew down $16.1 million of proceeds under our facility with Nordea to finance part of the purchase cost of the *Leto* and $37.5 million of proceeds under our facility with the CEXIM and DnB NOR, to finance part of the construction cost of Los Angeles. As of the date of this annual report, we had an aggregate principal of $425.9 million outstanding under our loan facilities which was incurred in connection with the acquisition of our dry bulk vessels. The table above does not include projected interest payments which are based on LIBOR plus a margin.

(2) As of December 31, 2011, we had paid four predelivery installments for the construction of hull *H1234*, or *Los Angeles*, amounting to $31.9 million and the three predelivery installments for the construction of hull *H1235*, to be renamed *Philadelphia*, amounting to $26.1 million. *Los Angeles* was delivered to us in February 2012, for which we paid a delivery installment of $26.1 million. In March 2012, we paid one additional predelivery installment of $5.8 million for the construction of hull *H1235*, to be renamed *Philadelphia*, and expect to pay $26.1 million on the delivery of the vessel in April 2012. In March 2012, we also entered into two contracts for the construction of two additional Panamax dry bulk carriers for the price of $29.0 each, expected to be delivered in the fourth quarter of 2013.

(3) In March 2012, we entered into a Memorandum of Agreement to purchase from an unaffiliated third party a 2005 built Panamax dry bulk carrier of 76,225 dwt for a price of $20.65 million. The vessel, to be renamed *Melia*, is expected to be delivered to us by the sellers on or about April 24, 2012.

(4) On June 1, 2010, DSS entered into an agreement with Diana Enterprises, a related party company, for the provision of brokerage services for an annual fee of $1.7 million. This agreement was terminated on February 22, 2012 and was replaced with an agreement for the provision of brokerage services and for an annual fee of $2.4 million effective from January 1, 2012. The agreement has a term of five years and the fee is paid quarterly in advance.

G. Safe Harbor

See section "Forward Looking Statements" at the beginning of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three year term. Officers are appointed from time to time by our board of directors and hold office until a successor is appointed or their employment is terminated.

Name	Age	Position
Simeon Palios	70	Class I Director, Chief Executive Officer and Chairman
Anastasios Margaronis	56	Class I Director and President
Ioannis Zafirakis	40	Class I Director, Executive Vice President and Secretary
Andreas Michalopoulos	40	Chief Financial Officer and Treasurer
Maria Dede	39	Chief Accounting Officer
William (Bill) Lawes	68	Class II Director
Konstantinos Psaltis	73	Class II Director
Boris Nachamkin	78	Class III Director
Apostolos Kontoyannis	63	Class III Director

The term of our Class I directors expires in 2012, the term of our Class II directors expires in 2013 and the term of our Class III directors expires in 2014.

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

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

Simeon P. Palios has served as our Chief Executive Officer and Chairman since February 21, 2005 and as a Director since March 9, 1999 and has served as the Chief Executive Officer and Chairman of Diana Containerships since January 13, 2010. Mr. Palios also serves as an employee of DSS. Prior to November 12, 2004, Mr. Palios was the Managing Director of Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as Chief Executive Officer. Since 1972, when he formed Diana Shipping Agencies, Mr. Palios has had the overall responsibility of our activities. Mr. Palios has 42 years experience in the shipping industry and expertise in technical and operational issues. He has served as an ensign in the Greek Navy for the inspection of passenger boats on behalf of Ministry of Merchant Marine and is qualified as a naval architect and engineer. Mr. Palios is a member of various leading classification societies worldwide and he is a member of the board of directors of the United Kingdom Freight Demurrage and Defense Association Limited. He holds a bachelor's degree in Marine Engineering from Durham University.

Anastasios C. Margaronis has served as our President and as a Director since February 21, 2005 and has served as the Director and President of Diana Containerships since January 13, 2010. Mr. Margaronis also serves as an employee of DSS. Prior to February 21, 2005, Mr. Margaronis was employed by Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as President. He joined Diana Shipping Agencies S.A. in 1979 and has been responsible for overseeing our insurance matters, including hull and machinery, protection and indemnity and war risks cover. Mr. Margaronis has 29 years of experience in shipping, including in ship finance and insurance. He is a member of the Governing Council of the Greek Shipowner's Union and a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. He holds a bachelor's degree in Economics from the University of Warwick and a master's of science degree in Maritime Law from the Wales Institute of Science and Technology.

Ioannis G. Zafirakis has served as our Executive Vice President and Secretary since February 14, 2008, as our Vice President and Secretary since February 21, 2005 and as a Director since March 9, 1999 and has served as the Director, Chief Operating Officer and Secretary of Diana Containerships since January 13, 2010. Mr. Zafirakis also serves as an employee of DSS. Prior to February 21, 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as Executive Vice President. He joined Diana Shipping Agencies S.A. in 1997 where he held a number of positions in its finance and accounting department. 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 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 DSS since March 2005. In 2000, Mrs. Dede joined the Athens branch of Arthur Andersen, which merged with Ernst and Young (Hellas) in 2002, where she served as an external auditor of shipping companies until 2005. From 1996 to 2000, Mrs. Dede was employed by Venus Enterprises SA, a ship-management company, where she held a number of positions primarily in accounting and supplies. Mrs. Dede holds a bachelor's degree in Maritime Studies from the University of Piraeus and a master's degree in business administration from ALBA.

William (Bill) Lawes has served as a Director and the Chairman of our Audit Committee since March 2005. Mr. Lawes served as a Managing Director and a member of the Regional Senior Management Board of JPMorgan Chase (London) from 1987 until 2002. Prior to joining JPMorgan Chase, he was Global Head of Shipping Finance at Grindlays Bank. Since December 2007, he serves as an independent member of the Board of Directors and Chairman of the Audit Committee of Teekay Tankers Ltd. 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. Since 1981, Mr. Psaltis has served as Managing Director of Ormos Compania Naviera S.A., a company that specializes in operating and managing multipurpose container vessels. Prior to joining Ormos Compania Naviera S.A., Mr. Psaltis simultaneously served as a technical manager in the textile manufacturing industry and as a shareholder of shipping companies managed by M.J. Lemos. From 1961 to 1964, he served as ensign in the Royal Hellenic Navy. Mr. Psaltis is a member of the Germanischer Lloyds Hellas Committee. He holds a degree in Mechanical Engineering from Technische Hochschule Reutlingen & Wuppertal and a bachelor's degree in Business Administration from Tubingen University in Germany.

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

Apostolos Kontoyannis has served as a Director and as the Chairman of our Compensation Committee and a member of our Audit Committee effective since March 2005. Since 1987, Mr. Kontoyannis has been the Chairman of Investments and Finance Ltd., a financial consultancy firm he founded, that specializes in financial and structuring issues relating to the Greek maritime industry, with offices in Piraeus and London. He was employed by Chase Manhattan Bank N.A. in Frankfurt (Corporate Bank), London (Head of Shipping Finance South Western European Region) and Piraeus (Manager, Ship Finance Group) from 1975 to 1987. He is an independent member of the Board of Directors of Excel Maritime Carriers Ltd. Mr. Kontoyannis holds a bachelor's degree in Finance and Marketing and a master's degree in business administration in Finance from Boston University.

B. Compensation

The aggregate compensation to members of our senior management for 2011, 2010 and 2009 was $0.8 million, $1.4 million and $2.3 million, respectively. In 2012, 2011 and 2010 our senior management received a cash bonus of $0.4 million, $0.4 million and $1.2 million respectively, relating to 2011, 2010 and 2009 performance, respectively. Since June 1, 2010, DSS entered into two Broker Services Agreements with Diana Enterprises, a related party, to provide brokerage services to us and Diana Containerships. Under these agreements, which are described in Item 7B. "Related Party Transactions", we pay an annual fee of $1.7 million, increased to $2.4 million as of January 1, 2012, and Diana Containerships paid during 2010 and until January 18, 2011 that was consolidated in our financial statements annual fees of $1.04 million. We consider that fees paid under those agreements to be part of our executive compensation due to the affiliation with Diana Enterprises. In 2011 and 2010, brokerage services amounted to $1.7 million and $1.6 million, respectively. In 2012 and 2011, Diana Enterprises also received an amount of $0.8 million for each year, as bonus for the performance of 2011 and 2010.

Non-employee directors receive annual fees in the amount of $52,000 plus reimbursement of their out-of-pocket expenses, since January 1, 2009. Until then their annual fees amounted to $40,000. In addition, each non-executive serving as chairman or member of the committees receives annual fees of $26,000 and $13,000, respectively, plus reimbursement of his/her out-of-pocket expenses, since January 1, 2009 compared to $20,000 and $10,000, respectively, plus reimbursement of his/her out-of-pocket expenses until 2008. For 2011, 2010 and 2009 fees and expenses of our non-executive directors amounted to $0.4 million, $0.4 million and $0.3 million, respectively.

Since 2008 and until the date of this annual report, our board of directors has awarded an aggregate amount of 2,843,295 shares of restricted common stock, of which 2,335,123 shares to senior management and 508,172 shares to non-employee directors. All restricted shares vest ratably over three years, except for 600,000 shares awarded in 2008 which vest ratably over a period of six years. The restricted shares are subject to forfeiture until they become vested. Unless they forfeit their shares, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares.

In 2011, 2010 and 2009, compensation cost relating to the aggregate amount of restricted stock awards amounted to $8.1 million, $7.5 million and $3.9 million, respectively. Of this compensation cost, an amount of $39,353 in 2011 and $1.3 million in 2010 related to shares awarded by Diana Containerships to members of its senior management.

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

Equity Incentive Plan

In February 2005, we adopted an equity incentive plan, or the 2005 Plan, pursuant to which our employees, officers and directors have received options to acquire our common stock. A total of 2,800,000 shares of common stock are reserved for issuance under the 2005 Plan. The 2005 Plan is administered by the Company's Board of Directors. Under the terms of the 2005 Plan, the Company's Board of Directors is able to grant a) incentive stock options, b) non-qualified stock options, c) stock appreciation rights, d) dividend equivalent rights, e) restricted stock, f) unrestricted stock, g) restricted stock units, and h) performance shares. No options, stock appreciation rights or restricted stock units can be exercisable prior to the first anniversary or subsequent to the tenth anniversary of the date on which such award was granted. The 2005 Plan will expire 10 years from the adoption of the 2005 Plan by the Board of Directors. On October 21, 2008, the 2005 Plan was amended and restated. Under the 2005 Plan as amended and restated, 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 us. Our board of directors delegated to the members of the compensation committee its authority as Administrator of the 2005 Plan to vest restricted stock awards granted under the 2005 Plan in the event of the grantee's death. No shares remain available for issuance under the 2005 Plan.

On May 2, 2011, our board of directors approved the Diana Shipping Inc. 2011 Equity Incentive Plan, or the 2011 Plan, with substantially the same terms and provisions as the amended and restated 2005 Plan. Under the 2011 Plan, an aggregate of 5,000,000 common shares are reserved for issuance under the 2011 Plan, of which 4,956,705 shares of common stock are currently available for issuance under the 2011 Plan.

C. Board Practices

We have established an Audit Committee, comprised of two board members, which is responsible for reviewing our accounting controls, recommending to the board of directors the engagement of our independent auditors, and pre-approving audit and audit-related services and fees. Each member is an independent director. As directed by its written charter, the Audit Committee is responsible for appointing, and overseeing the work of the independent auditors, including reviewing and approving their engagement letter and all fees paid to our auditors, reviewing the adequacy and effectiveness of the Company's accounting and internal control procedures and reading and discussing with management and the independent auditors the annual audited financial statements.

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

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

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

D. Crewing and Shore Employees

We crew our vessels primarily with Greek officers and Filipino officers and seamen. We are responsible for identifying our Greek officers, which are hired by our vessel owning subsidiaries. Our Filipino officers and seamen are referred to us by Crossworld Marine Services Inc., an independent crewing agency. The crewing agency handles each seaman's training, travel and payroll. We ensure that all our seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Additionally, our seafaring employees perform most commissioning work and supervise work at shipyards and drydock facilities. We typically man our vessels with more crew members than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties.

The following table presents the number of shoreside personnel employed by our fleet manager and the average number of seafaring personnel employed by our vessel owning subsidiaries during the periods indicated.

	Year Ended December 31,		
	2011	**2010**	**2009**
Shoreside	68	58	46
Seafaring	558	577	445
Total	626	635	491

E. Share Ownership

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth current information regarding (i) the owners of more than five percent of our common stock that we are aware of and (ii) the total amount of common stock owned by all of our officers and directors, individually and as a group. All of the shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held.

Title of Class	Identity of Person or Group	Number of Shares Owned	Percent of Class
Common Stock, par value $0.01	Simeon Palios (1)	15,112,717	18.2%
	Seizert Capital Partners, LLC (2)	5,219,824	6.3%
	All officers and directors as a group (3)	16,711,068	20.1%

(1) Currently, Mr. Simeon Palios beneficially owns 826,177 restricted common shares granted through the Company's Equity Incentive Plan and 14,286,540 shares indirectly through Corozal Compania Naviera S.A., or Corozal, and Ironwood Trading Corp., or Ironwood, over which Mr. Simeon Palios exercises sole voting and dispositive power. As of December 31, 2009, 2010, 2011 and currently, Mr. Simeon Palios owned indirectly through Corozal and Ironwood 17.5%, 17.4%, 17.3% and 17.2%, respectively, of our outstanding common stock.

(2) Seizert Capital Partners, LLC is an investment adviser that has filed a Schedule 13G on February 13, 2012 reporting their ownership of 6.3% of our outstanding common stock as of December 31, 2011.

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

B. Related Party Transactions

Diana Enterprises Inc.

On June 1, 2010, DSS entered into two agreements with Diana Enterprises, a company controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios, to provide brokerage services. The first agreement was made on behalf of Diana Shipping Inc. for an annual fee of $1.7 million and the second agreement was made on behalf of Diana Containerships, for an annual fee of $1.04 million. During 2011 and 2010, brokerage fees amounted to $1.7 million and $1.6 million, respectively (of which 52,000 and $0.6 million, respectively, related to Diana Containerships). Effective January 19, 2011 after the partial spin-off of Diana Containerships, the relevant fees relating to Diana Containerships are being reimbursed to us by Diana Containerships and do not constitute part of our expenses. In 2012 and 2011, Diana Enterprises also received an amount of $0.8 million for each year as bonus for 2011 and 2010 performance. In February 2012, the agreement between Diana Enterprises and DSS was terminated and replaced with a new agreement under which Diana Enterprises will provide brokerage services for an annual fee of $2.4 million to be applied retroactively from January 1, 2012. Our agreement with Diana Enterprises has a term of five years and the fees are paid quarterly in advance.

Altair Travel Agency S.A.

Altair Travel Agency S.A., or Altair, an affiliated entity that is controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios, provides us with travel related services. Travel related expenses in 2011, 2010 and 2009 amounted to $1.8 million, $1.6 million and $1.4 million, respectively. We believe that the fees that we pay to Altair are no greater than fees we would pay to an unrelated third party for comparable services in an arm's length transaction. Until September 30, 2010, we were also paying rent to Altair for the lease of office and parking space, which for 2010 and 2009 amounted to about $76,000 and $19,000, respectively, classified in General and administrative expenses. In September 2010, Altair sold its property to Universal and as of that date our lease agreement with Altair was terminated.

Administrative Services Agreement

On April 6, 2010, Diana Containerships entered into an Administrative Services Agreement with DSS, whereby DSS, as the Manager, provides to it accounting, administrative, financial reporting and other services necessary for the operation of its business. Diana Containerships pays DSS a monthly fee of $10,000 for these administrative services. The initial term of the agreement is for a period of one year and will automatically renew for successive twelve month periods unless the agreement is terminated as provided therein. The agreement may be terminated by Diana Containerships (i) upon thirty days' written notice to the Manager; (ii) if the Manager materially breaches the agreement and such breach is not resolved within ninety days; (iii) if the Manager has been convicted of or entered a plea of guilty or nolo contendere with respect to a crime and such occurrence is materially injurious to Diana Containerships; (iv) if the holders of a majority of Diana Containerships's outstanding common shares elect to terminate the agreement; (v) if the Manager commits fraud, gross negligence or commits an act of willful misconduct, and Diana Containerships is materially injured thereby; (vi) if the Manager becomes insolvent; or (vi) if there is a "change of control" (as defined therein) of the Manager. The Administrative Services Agreement may be terminated by the Manager (i) after the expiration of the initial term, with six months' notice to Diana Containerships; (ii) if Diana Containerships materially breaches the agreement and such breach is not resolved within ninety days; or (iii) at any time upon the earlier to occur of (a) the occurrence of a change of control of Diana Containerships or (b) the Manager's receipt of written notice from Diana Containerships that a change of control will occur until sixty (60) days after the later of (1) the occurrence of such a change of control or (2) the Manager's receipt of the written notice in the preceding clause (b). If Diana Containerships has knowledge that a change of control of Diana Containerships will occur, it is required to give prompt written notice thereof to the Manager.

Prior to the partial spin-off of Diana Containerships on January 18, 2011 and its consequent de-consolidation from our financial statements, such administrative services fees received by DSS have been eliminated from our consolidated financial statements as intercompany transactions. However, after the de-consolidation of Diana Containerships, such fees constitute part of our revenues and are included in Other Revenues, in the amount of $1.1 million for 2011.

Vessel Management Agreements

DSS also provides commercial and technical management services for Diana Containerships's vessels under separate vessel management agreements with Diana Containerships's vessel owning subsidiaries. The vessel management agreements continue unless terminated by either party giving three months' written notice; provided that Diana Containerships may terminate the agreement without such notice upon payment to the Manager of a fee equal to the average management fees paid to the Manager during the last three full months immediately preceding such termination. Commercial management includes, among other things, negotiating charters for vessels, monitoring the performance of vessels under charter, and managing Diana Containerships's relationships with charterers, obtaining insurance coverage for Diana Containerships's vessels, as well as supervision of the technical management of the vessels. Technical management includes managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging the hire of qualified officers and crew, arranging and supervising drydocking and repairs, arranging for the purchase of supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. Pursuant to each vessel management agreement, DSS receives a commission of 1% of the gross charterhire and freight earned by the vessel and a technical management fee of $15,000 per vessel per month for employed vessels and will receive $20,000 per vessel per month for laid-up vessels, if any.

Prior to the partial spin-off of Diana Containerships on January 18, 2011 and its consequent de-consolidation from our financial statements, such management fees received by DSS have been eliminated from our consolidated financial statements as intercompany transactions. However, after the de-consolidation of Diana Containerships, such fees constitute part of our revenues and are included in Other revenues, in the amount of $1.1 million for 2011.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial information

A. Consolidated statements and other financial information

See Item 18.

Legal Proceedings

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

Dividend Policy

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

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

We believe that, under current law, any dividends that we have paid and may pay in the future from earnings and profits constitute "qualified dividend income" and as such are generally subject to a 15% United States federal income tax rate with respect to non-corporate United States shareholders. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States shareholder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. We note that legislation was previously introduced in the United States Congress, which, if enacted in its present form, would preclude dividends received after the date of enactment from qualifying as "qualified dividend income." Please see the section of this annual report entitled "Taxation" under Item 10.E for additional information relating to the tax treatment of our dividend payments.

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

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

	2012		2011		2010		2009		2008		2007	
Period	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
Annual			$ 12.64	$ 6.93	$ 16.27	$ 11.19	$ 18.52	$ 10.15	$ 31.66	$ 7.24	$ 44.82	$ 15.79
1st quarter	$ 9.87	$ 7.80	$ 12.64	$ 11.50	$ 16.27	$ 13.26						
2nd quarter			12.13	10.70	15.82	11.19						
3rd quarter			11.13	7.42	13.39	11.46						
4th quarter			8.54	6.93	14.08	11.82						
October			$ 8.45	$ 6.93								
November			8.54	7.25								
December			8.07	7.48								
January	$ 8.44	$ 7.80										
February	9.87	8.11										
March	9.24	8.41										
April*	8.90	7.52										

* For the period from April 1, 2012 until April 19, 2012.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Memorandum and articles of association

Our current amended and restated articles of incorporation have been filed as exhibit 1 to our Form 6-K filed with the Securities and Exchange Commission on May 29, 2008 with file number 001-32458, and our current amended and restated bylaws have been filed as exhibit 1.2 to our Form 6-K filed with the Securities and Exchange Commission on December 4, 2007 with file number 001-32458. The information contained in these exhibits is incorporated by reference herein.

Information regarding the rights, preferences and restrictions attaching to each class of the shares is described in section "Description of Capital Stock" in our Registration Statement on Form F-1 filed with the Securities and Exchange Commission on November 23, 2005 with file number 333-129726, provided that since the date of that Registration Statement, the number of our outstanding shares of common stock has increased to 82,989,667. We have also filed with the Securities and Exchange Commission our amended and restated stockholders rights agreement as exhibit 4.5 to our Form 8-A12B/A filed on October 7, 2008 and amended on October 10, 2008, with file number 001-32458.

C. Material Contracts

Attached as exhibits to this annual report are the contracts we consider to be both material and not entered into in the ordinary course of business. Other than these agreements, we have no material contracts, other than contracts entered into in the ordinary course of business, to which the Company or any member of the group is a party. A description of these is included in our description of our agreements generally: we refer you to Item 5. "Loan Facilities"
for a discussion of our loan facilities, Item 4.A for a discussion of our agreement with 4 Sweet Dreams S.A., and item 7.B for a discussion of our agreements with companies controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios and by Diana Containerships.

D. Exchange Controls

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

E. Taxation

United States Taxation

The following discussion is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended, or the Code, existing and proposed U.S. Treasury Department regulations, or 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, 2011, 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, 2011. 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 $0.2 million for the year ended December 31, 2011.

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 2011 tax year, the Company believes that it is unlikely that the 50% Ownership Test was satisfied. Therefore, the eligibility of the Company and each subsidiary to qualify for exemption under Section 883 of the Code is wholly dependent upon the Company's ability to satisfy the Publicly Traded Test.

Under the Treasury Regulations, stock of a foreign corporation is considered "primarily traded" on an established securities market in a country if the number of shares of each class of stock that is traded during the taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country. The Company's common stock, which is the sole class of issued and outstanding stock, was "primarily traded" on the New York Stock Exchange, or "NYSE", during the 2011 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 2011 taxable year.

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

For more than half the days during the 2011 taxable year, only 18.1% of the Company's common stock was owned by 5% Shareholders. Therefore, the Company is not subject to the 5% Override Rule, and therefore believes that it has satisfied the Publicly Traded Test for the 2011 taxable year. However, there is no assurance that the Company will continue to satisfy the Publicly Traded Test in future taxable years. For example, the Company could be subject to the 5% Override Rule if another 5% Shareholder in combination with the Company's existing 5% Shareholders were to own 50% or more of the Company's common stock. In such a case, the Company would be subject to the 5% Override Rule unless it could establish that, among the shares of the common stock owned by the 5% Shareholders, sufficient shares are owned by qualified shareholders, for purposes of Section 883 of the Code, to preclude non-qualified shareholders from owning 50% or more of the Company's 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 2011 taxable year, and intends to take this position on its 2011 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 2011 taxable year and in the absence of exemption under Section 883 of the Code, the Company would be subject to approximately $0.2 million of U.S. federal income tax under the 4% Gross Basis Tax Regime.

The 4% Gross Basis Tax Regime would not apply to U.S. source Shipping Income to the extent considered to be "effectively connected" with the conduct of a U.S. trade or business. In the absence of exemption under Section 883 of the Code, such "effectively connected" U.S. source Shipping Income, net of applicable deductions, would be subject to U.S. federal income tax currently imposed at corporate rates of up to 35%. In addition, earnings "effectively connected" with the conduct of such U.S. trade or business, as determined after allowance for certain adjustments, and certain interest paid or deemed paid attributable to the conduct of the U.S. trade or business may be subject to U.S. federal branch profits tax imposed at a rate of 30%. The Company's U.S. source Shipping Income would be considered "effectively connected" with the conduct of a U.S. trade or business only if: (1) the Company has, or is considered to have, a fixed place or business in the United States involved in the earning of Shipping Income; and (2) substantially all of the Company's U.S. source Shipping Income is attributable to regularly scheduled transportation, such as the operation of a vessel that followed a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States, or, in the case of income from the chartering of a vessel, is attributable to a fixed place of business in the United States.

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.

Taxation of U.S. Holders

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

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

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your own tax advisor on this issue.

Distributions

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

Dividends paid to a U.S. Holder which is an individual, trust, or estate (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 (currently through the end of 2012) 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. Legislation has been previously introduced in the U.S. Congress which, if enacted in its present form, would preclude the dividends paid by the Company from qualifying for such preferential rates prospectively from the date of the enactment. Further, in the absence of legislation extending the term of the preferential tax rates for qualified dividend income, all dividends received by a taxpayer in tax years beginning on January 1, 2013 or later will be taxed at ordinary graduated tax rates. 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.

Sale, Exchange or other Disposition of Common Stock

Assuming the Company does not constitute a passive foreign investment company for any taxable year, 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. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company 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". In addition, if the Company were to be treated as a PFIC for any taxable year after 2010, a U.S. Holder would be required to file an annual report with the IRS for that year with respect to such Holder's common shares.

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 U.S. Non-Corporate 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.

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

Backup withholding is not an additional tax. Rather, a taxpayer generally may obtain a refund of any amounts withheld under backup withholding rules that exceed the taxpayer's U.S. federal income tax liability by filing a refund claim with the IRS.
Pursuant to recently enacted legislation, individuals who are U.S. Holders (and to the extent specified in applicable Treasury regulations, certain individuals who are Non-U.S. Holders and 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 shares, unless the shares 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 an individual U.S. Holder (and to the extent specified in applicable Treasury regulations, an individual Non-U.S. Holder or 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 years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged consult their own tax advisors regarding their reporting obligations under this legislation.

Marshall Islands Tax Considerations

We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are 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.

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. At December 31, 2011, we had $374.3 million of principal balance outstanding under our loan agreements of which $290.7 million was under our revolving credit facility with the Royal Bank of Scotland; $32.8 million was under our loan facility with Bremer Landesbank, $35.8 million was under our loan facility with Deutsche Bank AG and $15.0 million was under the loan facility with the Emporiki Bank of Greece S.A. Total interest incurred under our long-term debt in 2011 amounted to $5.1 million, out of which $0.6 million was capitalized. Interest costs, net of interest capitalized, are included in Interest and finance costs in our consolidated statement of income.

In 2011, the weighted average interest rate for our facilities was 1.37% and the respective interest rates ranged from 1.0% to 2.9%, including margins. An average increase of 1% in 2011 interest rates would have resulted in interest costs of $8.8 million, instead of $5.1 million, an increase of 73%.

The weighted average interest rate relating to our revolving credit facility with The Royal Bank of Scotland was 1.07% and the respective interest rates ranged from 1.0% to 1.1%, including margins. An average increase of 1% in 2011 interest rates would have resulted in interest expenses of $6.1 million, instead of $3.1 million, an increase of 97%.

The weighted average interest rate relating to our loan facility with Bremer Landesbank was 2.46% and the respective interest rates ranged from 2.4% to 2.6%, including margins. An average increase of 1% in 2011 interest rates would have resulted in interest expenses of $1.2 million, instead of $0.9 million, an increase of 33%.

The weighted average interest rate relating to our loan facility with Deutsche Bank was 2.71% and the respective interest rates ranged from 2.7% to 2.9%, including margins. An average increase of 1% in 2011 interest rates would have resulted in interest expenses of $1.4 million, instead of $1.0 million, an increase of 40%.

The weighted average interest rate relating to our loan facility with Emporiki Bank of Greece S.A. was 1.34% and the respective interest rate was 1.3% including margins. An average increase of 1% in 2011 interest rates would have resulted in the same interest expenses of $0.1 million.

Currently, we have $290.7 million of the principal balance outstanding under our credit facility with the RBS; $31.9 million outstanding under our facility with Bremer, $35.2 million outstanding under our facility with Deutsche, $14.5 million outstanding under our facility with Emporiki, $37.5 million outstanding under our facility with CEXIM and DnB NOR and $16.1 million outstanding under our facility with Nordea.

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.

In May 2009, we entered into a five-year zero cost collar agreement with a floor at 1% and a cap at 7.8% of a notional amount of $100.0 million to manage our exposure to interest rate changes related to our borrowings. The collar agreement is considered as an economic hedge agreement as it does not meet the criteria of hedge accounting; therefore, the changes in its fair value are recognized in earnings. As of December 31, 2011 and 2010 the aggregate fair value of the collar resulted in a loss of $1.0 million and $1.0 million, respectively. Also during 2011, 2010 and 2009 we incurred unrealized losses from the swap amounting to about $39,000, $0.8 million and $0.2 million, respectively, and realized losses of $0.7 million, $0.7 million and $0.3 million, respectively. Should LIBOR interest rates remain at levels below 1% which is our floor, we will continue to incur losses from this financial instrument.

Currency and Exchange Rates

We generate all of our revenues in U.S. dollars but currently incur about half of our operating expenses (around 47% in 2011) and a significant portion of our general and administrative expenses (around 41% in 2011) 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 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 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. Currently, we do not consider the risk from exchange rate fluctuations to be material for our results of operations and therefore, we are not engaged in extensive derivative instruments to hedge a considerable part of those expenses.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits to the SEC under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

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

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

Management has conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2011 is effective.

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

c) Attestation Report of Independent Registered Public Accounting Firm

The attestation report on the Company's internal control over financial reporting issued by the registered public accounting firm that audited the consolidated financial statements, Ernst Young (Hellas) Certified Auditors Accountants S.A., appears under Item 18, and such report is incorporated herein by reference.

d) Changes in Internal Control over Financial Reporting

None.

Inherent Limitations on Effectiveness of Controls

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

Item 16A. Audit Committee Financial Expert

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

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to officers and employees. Our code of ethics is posted in our website: http://www.dianashippinginc.com, under "Corporate Governance" and was filed as Exhibit 11.1 to the 2004 annual report on Form 20-F filed with the Securities and Exchange Commission on June 29, 2005 with number 001-32458. Copies of our Code of Ethics are available in print upon request, free of charge, to Diana Shipping Inc., Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. We intend to satisfy any disclosure requirements regarding any amendment to, or waiver from, a provision of this Code of Ethics by posting such information on our website.

Item 16C. Principal Accountant Fees and Services

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

Audit fees in 2011 and 2010 amounted to € 367,500 and € 660,000, or approximately $526,600 and $885,000, respectively, and relate to audit services provided in connection with timely SAS 100 reviews, the audit of our consolidated financial statements, the audit of internal control over financial reporting, as well as audit services performed in connection with Diana Containerships's consolidated financial statements, private offering and registration statement in 2010.

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

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

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

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

Issuer purchases of equity securities for the year ended December 31, 2011

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Amount in U.S. $ that may Yet Be Expected on Share Repurchases Under Programs
December 2011	154,091	$7.71	154,091	$0
Total				**$0**

In December 2011, we entered into an agreement with Goldman, Sachs & Co. (the "Broker") to repurchase our stock according to Rule 10b5-1(c)(l) and to the extent applicable to Rule 10b-18 under the Securities and Exchange Act of 1934. Under the terms of the agreement the Broker could purchase shares in the open market or through privately negotiated transactions for a commission of $0.03 per share of stock purchased. The agreement was terminated on February 29, 2012. We repurchased a total of 251,455 shares for $1.9 million between December 19, 2011 and February 29, 2012.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

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

Overview

Pursuant to an exception for foreign private issuers, we, as a Marshall Islands company, are is not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. However, pursuant to Section 303.A.11 of the NYSE Listed Company Manual, we are required to state any significant differences between our corporate governance practices and the practices required by the NYSE. We believe that our established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to our shareholders. In fact, we have voluntarily adopted NYSE required practices, such as (a) having a majority of independent directors, (b) establishing audit and compensation committees and (c) adopting a Code of Ethics. The significant differences between our corporate governance practices and the NYSE standards are set forth below.

Executive Sessions

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

Nominating / Corporate Governance Committee

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

Audit Committee

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

Shareholder Approval of Equity Compensation Plans

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

Governance Guidelines

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

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

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

Item 19. Exhibits

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of Diana Shipping Inc. (originally known as Diana Shipping Investment Corp.) (1)
1.2	Amended and Restated By-laws of the Company (2)
2.1	Form of Share Certificate (10)
4.1	Second Amended and Restated Stockholders Rights Agreement dated October 7, 2008 (4)
4.2	Amended and Restated 2005 Stock Incentive Plan (6)
4.3	2011 Stock Incentive Plan
4.4	Form of Technical Manager Purchase Option Agreement (5)
4.5	Form of Management Agreement (3)
4.6	Loan Agreement with Royal Bank of Scotland dated February 18, 2005 (5)
4.7	Amending and Restating Loan Agreement with Royal Bank of Scotland dated May 24, 2006 (8)
4.8	Supplemental Agreement with the Royal Bank of Scotland dated January 30, 2007 (7)
4.9	Sales Agency Financing Agreement dated April 23, 2008 (9)
4.10	Loan Agreement with Deutsche Bank dated October 8, 2009 (10)
4.11	Loan Agreement with Bremer Landesbank dated October 22, 2009 (10)
4.12	Loan Agreement with the Export-Import Bank of China and DnB Nor Bank ASA dated October 2, 2010 (10)
4.13	Loan Agreement with Emporiki Bank of Greece S.A. dated September 13, 2011
4.14	Loan Agreement with Nordea Bank Finland Plc dated February 7, 2012
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

(1) Filed as Exhibit 1 to the Company's Form 6-K filed on May 29, 2008.
(2) Filed as Exhibit 1 to the Company's Form 6-K filed on December 4, 2007.
(3) Filed as an Exhibit to the Company's Amended Registration Statement (File No. 123052) on March 15, 2005.
(4) Filed as Exhibit 4.5 to the Company's Form 8-A12B/A filed on October 7, 2008 and amended on October 10, 2008 (File No. 001-32458).
(5) Filed as an Exhibit to the Company's Registration Statement (File No. 123052) on March 1, 2005.
(6) Filed as Exhibit 1 to the Company's Form 6-K filed on October 27, 2008.
(7) Filed as Exhibit VI to the Company's Form 6-K filed on March 19, 2007.
(8) Filed as Exhibit 4.10 to the Company's 2007 Annual Report on Form 20-F (File No. 001-32458) on March 14, 2008.
(9) Filed as Exhibit 2 to the Company's Form 6-K filed on April 24, 2008.
(10) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 30, 2010.

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: April 20, 2012

DIANA SHIPPING INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Diana Shipping Inc.

We have audited the accompanying consolidated balance sheets of Diana Shipping Inc. as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diana Shipping Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Diana Shipping Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 20, 2012 expressed an unqualified opinion thereon.

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

Athens, Greece

April 20, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Diana Shipping Inc.

We have audited Diana Shipping Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Diana Shipping Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15.b) in the Company's annual report on Form 20-F for the year ended December 31, 2011. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Diana Shipping Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Diana Shipping Inc. as of December 31, 2011 and 2010 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2011 of Diana Shipping Inc. and our report dated April 20, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Athens, Greece
April 20, 2012

DIANA SHIPPING INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2011 and 2010
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 416,674	$ 345,414
Accounts receivable, trade (Note 2(f))	5,568	467
Due from related party (Note 4)	263	-
Inventories (Note 2(g))	4,808	4,068
Prepaid expenses and other assets	2,320	1,650
Prepaid charter revenue (Note 8)	3,058	3,050
Total current assets	432,691	354,649
FIXED ASSETS:		
Advances for vessels under construction and acquisitions and other vessel costs (Note 5)	63,440	35,280
Vessels (Note 6)	1,292,237	1,355,644
Accumulated depreciation (Note 6)	(245,518)	(194,794)
Vessels' net book value (Note 6)	1,046,719	1,160,850
Property and equipment, net (Note 7)	21,659	21,842
Total fixed assets	1,131,818	1,217,972
OTHER NON-CURRENT ASSETS:		
Deferred charges, net	4,769	4,359
Prepaid charter revenue, non-current (Note 8)	5,351	8,409
Investment in Diana Containerships Inc. (Note 3)	29,842	-
Total assets	$ 1,604,471	$ 1,585,389
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 9)	$ 27,700	$ 7,320
Accounts payable, trade and other	7,127	5,759
Due to related parties (Note 4)	226	279
Accrued liabilities	4,751	5,329
Deferred revenue, current portion (Note 10)	8,136	13,662
Other current liabilities	155	161
Total current liabilities	48,095	32,510
Long-term debt, non-current portion (Note 9)	345,638	376,303
Deferred revenue, non-current portion (Note 10)	-	4,227
Other non-current liabilities	830	1,428
Fair value of derivative instruments (Note 17)	1,030	991
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 25,000,000 shares authorized, none issued	-	-
Common stock, $0.01 par value; 200,000,000 shares authorized and 82,419,417 and 81,955,813 issued and outstanding at December 31,2011 and 2010, respectively (Note 12)	824	820
Additional paid-in capital	915,404	908,467
Other comprehensive income / (loss) (Note 2(c))	(112)	(16)
Retained earnings	292,762	222,246
Stockholders' equity of Diana Shipping Inc.	1,208,878	1,131,517
Non-controlling interests (Notes 1 and 3)	-	38,413
Total stockholders' equity	1,208,878	1,169,930
Total liabilities and stockholders' equity	$ 1,604,471	$ 1,585,389

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

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2011, 2010 and 2009
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2011	2010	2009
REVENUES:			
Time charter revenues	$ 255,669	$ 275,448	$ 239,342
Other revenues (Note 4)	1,117	-	-
EXPENSES:			
Voyage expenses (Note 13)	10,597	12,392	11,965
Vessel operating expenses (Note 13)	55,375	52,585	41,369
Depreciation and amortization of deferred charges (Note 2)	55,278	53,083	44,686
General and administrative expenses	25,123	25,347	17,464
Foreign currency gains	(503)	(1,598)	(478)
Operating income	$ 110,916	$ 133,639	$ 124,336
OTHER INCOME / (EXPENSES):			
Interest and finance costs (Note 14)	$ (4,924)	$ (5,213)	(3,284)
Interest income	1,033	920	951
Loss from derivative instruments (Note 17)	(737)	(1,477)	(505)
Income from investment in Diana Containerships Inc. (Note 3)	1,207	-	-
Total other expenses, net	$ (3,421)	$ (5,770)	$ (2,838)
Net income	$ 107,495	$ 127,869	$ 121,498
Loss assumed by non-controlling interests	2	910	-
Net income attributed to Diana Shipping Inc.	$ 107,497	$ 128,779	$ 121,498
Earnings per common share, basic (Note 15)	$ 1.33	$ 1.60	$ 1.55
Earnings per common share, diluted (Note 15)	$ 1.33	$ 1.59	$ 1.55
Weighted average number of common shares, basic (Note 15)	81,081,774	80,682,770	78,282,775
Weighted average number of common shares, diluted (Note 15)	81,124,348	80,808,232	78,385,464

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

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2011, 2010 and 2009
(Expressed in thousands of U.S. Dollars)

	2011	2010	2009
Net income	$ 107,495	$ 127,869	$ 121,498
Comprehensive loss assumed by non-controlling interests	2	910	-
Other comprehensive loss (Actuarial losses)	(96)	(82)	(116)
Comprehensive income attributed to Diana Shipping Inc.	$ 107,401	$ 128,697	$ 121,382

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, 2011, 2010 and 2009
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	Common Stock		Additional Paid-in Capital	Other Comprehensive Income / (Loss)	Retained Earnings / (Accumulated Deficit)	Diana Shipping Inc. Total Equity	Non Controlling Interests	Total Equity
	# of Shares	Par Value						
BALANCE, December 31, 2008	75,061,697	$ 751	$ 802,574	$ 182	$ (28,031)	$ 775,476	$ -	$ 775,476
- Net income	-	-	-	-	121,498	121,498	-	121,498
- Issuance of common stock and compensation cost on restricted stock	6,369,999	64	102,403	-	-	102,467	-	102,467
- Actuarial losses	-	-	-	(116)	-	(116)	-	(116)
BALANCE, December 31, 2009	81,431,696	$ 815	$ 904,977	$ 66	$ 93,467	$ 999,325	$ -	$ 999,325
Net Income / (loss)	-	$ -	$ -	$ -	$ 128,779	$ 128,779	$ (910)	$ 127,869
Issuance of restricted stock and compensation cost	524,117	5	6,202	-	-	6,207	-	6,207
Contributions from non-controlling interests	-	-	(2,712)	-	-	(2,712)	39,323	36,611
Actuarial losses	-	-	-	(82)	-	(82)	-	(82)
BALANCE, December 31, 2010	81,955,813	$ 820	$ 908,467	$ (16)	$ 222,246	$ 1,131,517	$ 38,413	$ 1,169,930
Net Income / (loss)	-	$ -	$ -	$ -	$ 107,497	$ 107,497	$ (2)	$ 107,495
Issuance of restricted stock and compensation cost	617,695	6	8,141	-	-	8,147		8,147
Stock repurchased and retired	(154,091)	(2)	(1,185)	-	-	(1,187)		(1,187)
Spin-off of Diana Containerships Inc.	-	-	(19)	-	(36,981)	(37,000)	(38,411)	(75,411)
Actuarial losses	-	-	-	(96)	-	(96)	-	(96)
BALANCE, December 31, 2011	82,419,417	$ 824	$ 915,404	$ (112)	$ 292,762	$ 1,208,878	$ -	$ 1,208,878

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, 2011, 2010 and 2009
(Expressed in thousands of U.S. Dollars)

	2011	2010	2009
Cash Flows (used in) / provided by Operating Activities:			
Net income	$ 107,495	$ 127,869	$ 121,498
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of deferred charges	55,278	53,083	44,686
Amortization of financing costs	278	263	65
Amortization of free lubricants benefit	(115)	(171)	(177)
Compensation cost on restricted stock (Note 12)	8,095	7,482	3,944
Actuarial losses	(96)	(82)	(116)
Change in fair value of derivative instruments	39	804	187
Income from investment in Diana Containerships Inc., net of dividends receivable (Note 3)	(707)	-	-
(Increase) / Decrease in:			
Receivables	(5,982)	(284)	1,463
Due from related party	24	-	-
Inventories	(737)	(1,237)	315
Prepaid expenses and other assets	(1,404)	(686)	765
Prepaid charter revenue	3,050	3,048	(14,507)
Increase / (Decrease) in:			
Accounts payable	1,833	1,231	303
Due to related parties	(53)	70	32
Accrued liabilities	297	1,355	343
Deferred revenue	(9,489)	(11,474)	(4,941)
Other liabilities	(489)	402	236
Drydock costs	(3,087)	(3,381)	(2,193)
Net Cash provided by Operating Activities	154,230	178,292	151,903
Cash Flows (used in) / provided by Investing Activities:			
Advances for vessels under construction and acquisitions and other vessel costs (Note 5)	(28,160)	(35,280)	(65,225)
Vessel acquisitions (Note 6)	(30,124)	(202,909)	-
Cash disposed off upon partial spin-off of Diana Containerships Inc.	(12,024)	-	-
Acquisition of additional interest in Diana Containerships Inc. (Note 3)	(20,000)	-	-
Cash dividends from investment in Diana Containerships Inc. (Note 3)	100	-	-
Real property acquisition (Note 7)	-	(21,500)	-
Investments in time deposits	-	7,690	(7,690)
Other Assets (Note 7)	(220)	(314)	(166)
Net Cash used in Investing Activities	(90,428)	(252,313)	(73,081)
Cash Flows (used in) / provided by Financing Activities:			
Proceeds from long-term debt	15,000	138,510	73,610
Proceeds from issuance of share capital, net of expenses	-	-	98,444
Contributions from non-controlling shareholders	-	35,281	-
Proceeds from dividend reinvestment	20	56	79
Payments for repurchase of common stock (Note 12)	(1,187)	-	-
Financing costs	(45)	(1,020)	(450)
Loan payments	(6,330)	(35,830)	(30,100)
Net Cash provided by Financing Activities	7,458	136,997	141,583
Net increase in cash and cash equivalents	71,260	62,976	220,405
Cash and cash equivalents at beginning of period	345,414	282,438	62,033
Cash and cash equivalents at end of period	$ 416,674	$ 345,414	$ 282,438
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest payments, net of amounts capitalized	$ 4,630	$ 4,673	$ 2,952

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

1. Basis of Presentation and General Information

The accompanying consolidated financial statements include the accounts of Diana Shipping Inc. ("Diana" or "DSI") and its wholly-owned and beneficially-owned subsidiaries (collectively, the "Company"). Diana was formed on March 8, 1999 as Diana Shipping Investment Corp. under the laws of the Republic of Liberia. In February 2005, the Company's articles of incorporation were amended. Under the amended articles of incorporation, the Company was renamed Diana Shipping Inc. and was redomiciled from the Republic of Liberia to the Republic of the Marshall Islands. In May 2008, the amended articles of incorporation were further amended to increase the authorized shares from 100.0 million to 200.0 million.

In January 2010, the Company established Diana Containerships Inc. ("Diana Containerships") for the purpose of acquiring containerships. On January 18, 2011, the Company spun-off part of its shareholding in Diana Containerships and as a result, Diana Containerships, effective January 19, 2011, is no longer consolidated to the consolidated financial statements of the Company (Note 3).

The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the control and operation of dry bulk carrier vessels. As at December 31, 2011, the following subsidiaries are included in the consolidation:

1.1. Subsidiaries incorporated in the Republic of Panama

(a) Skyvan Shipping Company S.A. ("Skyvan"), owner of the Bahamas flag 75,311 dwt bulk carrier vessel "Nirefs" which was built and delivered in January 2001.

(b) Buenos Aires Compania Armadora S.A. ("Buenos"), owner of the Bahamas flag 75,247 dwt bulk carrier vessel "Alcyon" which was built and delivered in February 2001.

(c) Husky Trading S.A. ("Husky"), owner of the Bahamas flag 75,336 dwt bulk carrier vessel "Triton" which was built and delivered in March 2001.

(d) Panama Compania Armadora S.A. ("Panama"), owner of the Bahamas flag 75,211 dwt bulk carrier vessel "Oceanis", which was built and delivered in May 2001.

(e) Eaton Marine S.A. ("Eaton"), owner of the Greek flag 75,106 dwt bulk carrier vessel "Danae" (built in 2001), which was acquired in July 2003.

(f) Chorrera Compania Armadora S.A. ("Chorrera"), owner of the Greek flag 75,172 dwt bulk carrier vessel "Dione" (built in 2001), which was acquired in May 2003.

(g) Cypres Enterprises Corp. ("Cypres"), owner of the Bahamas flag 73,630 dwt bulk carrier vessel "Protefs" which was built and delivered in August 2004.

(h) Darien Compania Armadora S.A. ("Darien"), owner of the Bahamas flag 73,691 dwt bulk carrier vessel "Calipso" which was built and delivered in February 2005.

(i) Cerada International S.A ("Cerada"), ex-owner of the Bahamas flag 169,883 dwt bulk carrier vessel "Pantelis SP" (built in 1999), which was acquired in February 2005. The vessel was sold in February 2007, and was delivered to her new owners in July 2007.

(j) Texford Maritime S.A. ("Texford"), owner of the Bahamas flag 73,691 dwt bulk carrier vessel "Clio" which was built and delivered in May 2005.

(k) Urbina Bay Trading, S.A. ("Urbina"), owner of the Bahamas flag 74,444 dwt bulk carrier vessel "Erato" (built in 2004), which was acquired in November 2005.

(l) Changame Compania Armadora S.A. ("Changame"), owner of the Bahamas flag 73,583 dwt bulk carrier vessel "Thetis" (built in 2004), which was acquired in November 2005.

(m) Vesta Commercial, S.A. ("Vesta"), owner of the Bahamas flag 74,381 dwt bulk carrier vessel "Coronis" which was built and delivered in January 2006.

14. ***Diana Shipping Services S.A. (the "Manager" or "DSS").*** DSS provides the Company and its vessels with management services since November 12, 2004, pursuant to management agreements. Such costs are eliminated in consolidation. Since April 2010, DSS provides to Diana Containerships and its vessels, administrative services for a monthly fee of $10, and since June 2010 technical and commercial services for a monthly fee of $15 per vessel for employed vessels, $20 per vessel per month for laid-up vessels, and 1% commission on the gross charter hire and freight earned by each vessel. Subsequent to Diana Containerships' spin-off (Note 3), the fees charged by DSS to Diana Containerships and its ship-owning subsidiaries are recorded as Other revenues in the accompanying consolidated statements of income. Management fees, administrative services fees and commissions charged by DSS to Diana Containerships and its subsidiaries until January 18, 2011 were eliminated from the consolidated financial statements as intercompany transactions.

1.2. Subsidiaries incorporated in the Republic of the Marshall Islands

(a) Ailuk Shipping Company Inc. ("Ailuk"), owner of the Marshall Islands' flag 73,546 dwt dry bulk carrier vessel "Naias" which was built in 2006 and delivered in August 2006.

(b) Bikini Shipping Company Inc. ("Bikini"), owner of the Marshall Islands' flag 177,773 dwt dry bulk carrier vessel "New York" which was built and delivered in March 2010.

(c) Jaluit Shipping Company Inc. ("Jaluit"), owner of the Marshall Islands' flag, 174,186 dwt, dry bulk carrier vessel "Sideris GS" which was built and delivered in November 2006.

(d) Kili Shipping Company Inc. ("Kili"), owner of the Marshall Islands' flag, 174,261 dwt, dry bulk carrier vessel "Semirio" which was built and delivered in June 2007.

(e) Knox Shipping Company Inc. ("Knox"), owner of the Marshall Islands flag, 180,235 dwt, dry bulk carrier vessel "Aliki" (built 2005), which was acquired in April 2007.

(f)Lib Shipping Company Inc. ("Lib"), owner of the Marshall Islands flag, 177,828 dwt, dry bulk carrier vessel "Boston" which was built and delivered in November 2007.

(g)Majuro Shipping Company Inc. ("Majuro"), owner of the Marshall Islands flag, 93,193 dwt, dry bulk carrier vessel "Alcmene" (built 2010), which was delivered in November 2010.

(h)Taka Shipping Company Inc. ("Taka"), owner of the Marshall Islands flag, 76,436 dwt, dry bulk carrier vessel, "Melite" (built 2004) which was acquired in January 2010.

(i)Gala Properties Inc. ("Gala"), owner of the Marshall Islands flag 177,729 dwt, dry bulk carrier vessel "Houston" which was built and delivered in October 2009.

(j)Lae Shipping Company Inc. ("Lae"), entered into a shipbuilding contract with China Shipbuilding Trading Company, Limited and Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd for the construction of one Newcastlemax dry bulk carrier of approximately 206,000 dwt. The vessel has a contract price of $59,000, and was delivered in February 2012 (Notes 5 and 18).

(k)Namu Shipping Company Inc. ("Namu"), entered into a shipbuilding contract with China Shipbuilding Trading Company, Limited and Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd for the construction of one Newcastlemax dry bulk carrier of approximately 206,000 dwt. The vessel has a contract price of $59,000, and is expected to be delivered during the second quarter of 2012 (Note 5).

(l)Bikar Shipping Company Inc. ("Bikar"), owner of the Greek flag, 73,593 dwt, dry bulk carrier vessel, "Arethusa" (built 2007) which was acquired in July 2011(Note 6).

(m)Jemo Shipping Company Inc. ("Jemo"), entered into a memorandum of agreement with a third party company for the acquisition of a 2010 built Panamax dry bulk carrier of 81,297 dwt, renamed "Leto", for a price of $32,250. The vessel was delivered to the Company by the sellers in January 2012 (Notes 5 and 18).

1.3. Subsidiaries incorporated in the United States of America

(a) ***Bulk Carriers (USA) LLC ("Bulk Carriers")*** was established in September 2006 in the State of Delaware, USA, to act as the Company's authorized representative in the United States.

1.4. Subsidiaries incorporated in the Republic of Cyprus

(a) ***Marfort Navigation Company Limited ("Marfort"),*** owner of the Cyprus flag 171,810 dwt bulk carrier vessel "Salt Lake City" (built 2005) which was acquired in December 2007.

(b) ***Silver Chandra Shipping Company Limited ("Silver"),*** owner of the Cyprus flag 164,218 dwt bulk carrier vessel "Norfolk" (built 2002) which was acquired in February 2008.

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

During 2011, 2010 and 2009, three, three and four charterers, respectively, individually accounted for more than 10% of the Company's time charter revenues as follows:

Charterer	2011	2010	2009
A	18%	16%	23%
B	12%	18%	21%
C	11%	10%	11%
D	-	-	14%

2. Significant Accounting Policies and Recent Accounting Pronouncements

(a) ***Principles of Consolidation***: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, and include the accounts of Diana Shipping Inc. and its wholly-owned subsidiaries referred to in Note 1 above. All significant intercompany balances and transactions have been eliminated upon consolidation.

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

(c) ***Other Comprehensive Income / (loss):*** The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification (ASC) 220, "Comprehensive Income", which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity.

(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 books of accounts 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 income.

(e) ***Cash and Cash Equivalents:*** The Company considers highly liquid investments such as time deposits, certificates of deposit and their equivalents with an original maturity of three months or less to be cash equivalents.

(f) ***Accounts Receivable, Trade:*** The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire, freight and demurrage billings, 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, 2011 and 2010.

(g) ***Inventories***: Inventories consist of lubricants and victualling which are stated at the lower of cost or market. Cost is determined by the first in, first out method. Inventories may also consist of bunkers when on the cut- off date a vessel has been redelivered by its previous charterers and has not yet been delivered to the new charterers, or remains idle. Bunkers are also stated at the lower of cost or market and cost is determined by the first in, first out method.

(h) ***Vessel Cost:*** Vessels are stated at cost which consists of the contract price and any material expenses incurred upon acquisition (initial repairs, improvements and delivery expenses, interest and on-site supervision costs incurred during the construction periods). Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise these amounts are charged to expense as incurred. Interest cost incurred during the assets' construction periods that theoretically could have been avoided if expenditure for the assets had not been made is also capitalized. The capitalization rate, applied on accumulated expenditures for the vessel, is based on interest rates applicable to outstanding borrowings of the period.

(i) ***Prepaid/Deferred Charter Revenue***: The Company records identified assets or liabilities associated with the acquisition of a vessel at fair value, determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. When the present value of the contractual cash flows of the time charter assumed is greater than its current fair value, the difference 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.

(j) ***Impairment of Long-Lived Assets:*** The Company follows ASC 360-10-40 "Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The guidance requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances 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 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.

The Company evaluates the carrying amounts (primarily for vessels and related deferred dry-dock and special survey costs) and periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. The current conditions in the dry bulk market with decreased charter rates and decreased vessel market values are conditions that the Company considers indicators of a potential impairment.

The Company determines undiscounted projected net operating cash flows for each vessel and compares 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, the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days (based on the most recent 10 year average historical 1 year time charter rates available for each type of vessel, considering also current market rates) over the remaining estimated life of each vessel, net of brokerage commissions, expected outflows for scheduled vessels' maintenance and vessel operating expenses assuming an average annual inflation rate of 3%. Effective fleet utilization is assumed to 98% in the Company's exercise, taking into account the period(s) each vessel is expected to undergo her scheduled maintenance (dry docking and special surveys), as well as an estimate of 1% off hire days each year, assumptions in line with the Company's historical performance. The Company concluded based on this exercise that step two of the impairment analysis was not required and no impairment of vessels existed at December 31, 2011 as the undiscounted projected cash flows exceeded their carrying value.

No impairment loss was identified or recorded for 2011, 2010 and 2009, and the Company has not identified any other facts or circumstances that would require the write down of vessel values in the near future.

(k) ***Assets held for sale***: It is the Company's policy to dispose of vessels and other fixed assets when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies assets and disposal groups as being held for sale in accordance with ASC 360-10-45-9 "Long-Lived Assets Classified as Held for Sale", when the following criteria are met: (i) management possessing the necessary authority has committed to a plan to sell the asset (disposal group); (ii) the asset (disposal group) is immediately available for sale on an "as is" basis; (iii) an active program to find the buyer and other actions required to execute the plan to sell the asset (disposal group) have been initiated; (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year; and (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. In case a long-lived asset is to be disposed of other than by sale (for example, by abandonment, in an exchange measured based on the recorded amount of the nonmonetary asset relinquished, or in a distribution to owners in a spinoff) the Company continues to classify it as held and used until its disposal date. Long-lived assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale.

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

(m) ***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. Diana Containerships, consolidated in the financial statements for the year ended December 31, 2010 estimated the useful life of containerships to be 30 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.

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

(o) ***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 are amortized to interest and finance costs over the life of the related debt using the effective interest method and, for the loan facilities not used at the balance sheet date, 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.

(p) ***Property and equipment:*** The Company acquired in 2010 the land and building where its offices are located. Land is presented in its fair value on the date of acquisition and it is not subject to depreciation, but it is reviewed for impairment. As at December 31, 2011 and 2010, 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. The building which consists of office space, a warehouse and parking spaces has an estimated useful life of 55 years with no residual value and depreciation is calculated on a straight-line basis. Equipment consists of office furniture and equipment, computer software and hardware and vehicles. The useful life of the office furniture, equipment and vehicles is 5 years; and the computer software and hardware is 3 years. Depreciation is calculated on a straight-line basis.

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

(r) ***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. Revenues from time charter agreements providing for varying annual rates over their term are accounted for on a straight line basis. Deferred revenue includes cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met, including any deferred revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis. Deferred revenue also includes 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 port, canal and bunker expenses that are unique to a particular charter, are paid for by the charterer under time charter arrangements or by the Company under voyage charter arrangements, except for commissions, which are always paid for by the Company, regardless of charter type. All voyage and vessel operating expenses are expensed as incurred, except for commissions. Commissions are deferred over the related voyage charter period to the extent revenue has been deferred since commissions are due as the Company's revenues are earned.

(s) ***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 income.

(t) ***Earnings per Common Share:*** Basic earnings per common share are computed by dividing net income 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.

(u) ***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.

(v) ***Variable Interest Entities:*** ASC 810-10, addresses the consolidation of business enterprises (variable interest entities) to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. The guidance focuses on financial interests that indicate control. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. Variable interests are rights and obligations that convey economic gains or losses from changes in the value of the variable interest entity's assets and liabilities. Additionally, ASU 2009-17, Consolidations (Topic 810) "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. ASU 2009-17 also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement.

The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist, as the primary beneficiary would be required to include assets, liabilities, and the results of operations of the variable interest entity in its financial statements. As of December 31, 2011 and 2010, no such interests existed.

(w) ***Fair Value Measurements***: ASC 820 "Fair Value Measurements and Disclosures", provides guidance for using fair value to measure assets and liabilities. The guidance also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The guidance describes fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The guidance clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the guidance establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Under the guidance, fair value measurements would be separately disclosed by level within the fair value hierarchy. Financial statements should include disclosures for transfers in and out of Level 1 and Level 2 fair value measurements and description for the reason for transfer, for inputs and valuation techniques for fair value measurements that fall in either Level 2 or Level 3 and for the level of disaggregation.

(x) ***Share Based Payment:*** ASC 718 "Compensation – Stock Compensation", requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). 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. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met. The Company initially measures the cost of employee services received in exchange for an award or liability instrument based on its current fair value; the fair value of that award or liability instrument is re-measured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period are recognized as compensation cost over that period with the exception of awards granted in the form of restricted shares which are measured at their grant date fair value and are not subsequently re measured. The grant-date fair value of employee share options and similar instruments are estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). 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.

(y) ***Derivatives*****:** The Company is exposed to interest rate fluctuations associated with its variable rate borrowings and its objective is to manage the impact of such fluctuations on earnings and cash flows of its borrowings. In this respect, in May 2009, the Company entered into a five-year zero cost collar agreement with a floor at 1% and a cap at 7.8% of a notional amount of $100,000 to manage its exposure to interest rate changes related to its borrowings. The collar agreement is considered as an economic hedge agreement as it does not meet the criteria of hedge accounting; therefore, the change in its fair value is recognized in earnings (Note 17).

(z) ***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 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 incurred obligations or made payments on behalf of the entity.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Fair Value Measurements, Amendments to achieve common fair value measurements and disclosure requirements in U.S. GAAP and IFRS (Topic 820). The ASU is the result of joint efforts by the FASB and IASB to develop a single, converged fair value framework on how to measure fair value and on what disclosures to provide about fair value measurements. While the ASU is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. Many of these amendments are being made to eliminate unnecessary wording differences between U.S. GAAP and IFRSs. However, some could change how the fair value measurement guidance in ASC 820 is applied. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2011. Earlier application is not permitted. The provisions of ASU 2011-04 are not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income, Presentation of Comprehensive Income (Topic 220), which revises the manner in which entities present comprehensive income in their financial statements. Current U.S. GAAP allows reporting entities three alternatives for presenting other comprehensive income and its components in financial statements. One of those presentation options is to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This Update eliminates that option. In addition, current U.S. GAAP does not require consecutive presentation of the statement of net income and other comprehensive income. Finally, current U.S. GAAP does not require an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income, which is required by the guidance in this Update. These changes apply to both annual and interim financial statements. These improvements will help financial statement users better understand the causes of an entity's change in financial position and results of operations. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (i) a continuous statement of comprehensive income or (ii) two separate but consecutive statements. Under the two-statement approach, an entity is required to present components of net income and total net income in the statement of net income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and a total for other comprehensive income, along with a total for comprehensive income. The amendments in this Update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this Update should be applied retrospectively and they are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. The amendments in this Update were adopted by the Company as of June 30, 2011 and accordingly statements of comprehensive income are presented in Company's consolidated financial statements as of December 31, 2011.

3. Investment in Diana Containerships Inc.

In January 2010, the Company established Diana Containerships Inc. ("Diana Containerships") for the purpose of acquiring containerships. On April 6, 2010, Diana Containerships completed a private offering under Rule 144A and Regulation S and Regulation D of the Securities Act of 1933, as amended, the net proceeds of which amounted to $85,281, of which the Company invested $50,000. As at December 31, 2010, Diana Containerships had 6,106,161 shares of common stock issued and outstanding of which DSI owned 54.6%. As a result of the transaction the Company reported non-controlling interests in its 2010 accompanying consolidated financial statements.

On January 18, 2011, Diana spun off 2,667,015 shares or 80% of its shares in Diana Containerships through a distribution of shares to its stockholders of record of the Company on January 3, 2011, decreasing its ownership to about 11%. As a result of this decision, an information statement was prepared and filed in January 2011.

According to the ASC 845-10-30-10 "Non reciprocal Transfers with Owners" and ASC 505-60-25-2 "Required Accounting for Spinoffs, Including Reverse Spin-Offs", a pro-rata distribution of shares of a wholly owned or consolidated subsidiary to its shareholders is considered to be equivalent to a spin-off and shall be recorded based on the carrying value of the subsidiary. The Company calculated its investment in Diana Containerships as of January 18, 2011, before and after the distribution of the spun off shares to its shareholders and recorded a dividend amounting to $36,982. As a result of this partial spin-off Diana Containerships, effective January 19, 2011, is no longer consolidated to the consolidated financial statements of the Company.

On June 15, 2011, Diana Containerships completed a public offering under the United States Securities Act at 1933, as amended, of 14,250,000 common shares at the price of $7.5 per share, in which the Company participated with a concurrent private offering, acquiring an additional number of 2,666,667 common shares at the price of $7.5 per share increasing its ownership percentage in the share capital of Diana Containerships to 14.45%.

The Company, on the basis of the significant influence exercised over Diana Containerships through its shareholding and its 100% representation to the executive Board membership accounts for its investment in Diana Containerships under the equity method according to ASC 323 "Investments – Equity Method and Joint Ventures".

As at December 31, 2011, the investment in Diana Containerships amounted to $29,842 and is separately reflected in Investment in Diana Containerships Inc. in the accompanying consolidated balance sheet as of December 31, 2011. As at December 31, 2011, the market value of the investment was $18,101 based on Diana Containerships closing price on Nasdaq of $5.43.

For 2011, the income from the investment in Diana Containerships amounted to $1,207, and is separately presented in Income from investment in Diana Containerships Inc. in the accompanying consolidated statement of income for 2011. This gain is comprised of operating gains of Diana Containerships attributable to the Company amounting to $606 and a net gain from the issuance of Diana Containerships common shares in the public offering and the Company's concurrent investment of $20,000, amounting to $601. Dividends declared from Diana Containerships during 2011 were $600 of which $500 are included in Prepaid expenses and other assets in the accompanying consolidated balance sheet.

4. Transactions with Related Parties

(a) ***Altair Travel Agency S.A. ("Altair"):*** The Company uses the services of an affiliated travel agent, Altair, which is controlled by the Company's CEO and Chairman. Travel expenses for 2011, and 2010, and 2009 amounted to $1,799, $1,628, and $1,385, respectively, and are included in Vessels, Advances for vessels construction and acquisitions and other vessel costs, Due from related parties, Vessel operating expenses and General and administrative expenses in the accompanying consolidated financial statements. Until September 30, 2010, the Company was also paying Altair rent for office space, parking space and a warehouse leased by DSS until December 31, 2011, for the monthly rent of Euro 6,330 including stamp duty. Rent expense for 2011, 2010 and 2009 amounted to $0, $76, and $19, respectively, and is included in General and administrative expenses in the accompanying consolidated statements of income. At December 31, 2011, and 2010, an amount of $153 and $206, respectively, was payable to Altair and is included in Due to related parties in the accompanying consolidated balance sheets. The lease agreement between Altair and DSS was terminated on September 30, 2010, as Altair sold the office space, parking space and the warehouse to Universal Shipping and Real Estates Inc.

(b) ***Universal Shipping and Real Estates Inc. ("Universal"):*** Universal was acquired by the Company in October 2010. Until then Universal was a company controlled by the Company's CEO and Chairman from which the DSS was leasing office space, a warehouse and parking spaces for a monthly rent of Euro 24,530 including stamp duty. Rent expense for 2010 and 2009 amounted to $304 and $216, respectively, and is included in General and administrative expenses in the accompanying consolidated statements of income. On October 21, 2010, Universal transferred all of its real property to DSS and the company was dissolved in November 2010 (Note 7). At December 31, 2010, there were no amounts due to or from Universal.

(c) ***Diana Shipping Agencies S.A. ("DSA"):*** DSA was acquired by the Company in October 2010. Until then, DSA was a company controlled by the Company's CEO and Chairman, from which DSS was leasing office space, parking spaces and a warehouse for a monthly rent of Euro 23,788 including stamp duty. Rent expense for 2010 and 2009 amounted to $283 and $146, respectively, and is included in General and administrative expenses in the accompanying consolidated statements of income. On October 21, 2010, DSA transferred all of its property to DSS and the company was dissolved in November 2010 (Note 7). At December 31, 2010, there were no amounts due to or from DSA.

(d) ***Diana Enterprises Inc. ("Diana Enterprises"):*** Diana Enterprises is a company controlled by the Company's CEO and Chairman, and has entered into two agreements with DSS to provide brokerage services through DSS to DSI for an annual fee of $1,652 and to Diana Containerships for an annual fee of $1,040 until January 18, 2011 when Diana Containerships was deconsolidated from the Company's financial statements. The agreement has a term of five years and the fees are paid quarterly in advance (see also Note 18). For 2011 and 2010, brokerage fees amounted to $1,704 and $1,570 and are included in General and administrative expenses in the accompanying consolidated statements of income. At December 31, 2011 and 2010 there were no amounts due to or from Diana Enterprises.

(e) ***Diana Containerships Inc. ("Diana Containerships"):*** DSS receives management fees and commissions on hire from Diana Containerships and its vessels, pursuant to the related management agreements between Diana Containerships and its vessels and DSS and administrative fees pursuant to the related administrative services agreement between Diana Containerships and DSS (Note 1). After the partial spin-off of Diana Containerships (Note 3), such fees are not eliminated. Therefore, for the period from January 19 to December 31, 2011, revenues derived from the agreements with Diana Containerships amounted to $1,117 and they are separately presented as Other revenues in the accompanying consolidated statements of income. As at December 31, 2011, there was an amount of $263 due from Diana Containerships and its vessels and is included in Due from related party in the accompanying consolidated balance sheets. As at December 31, 2010, all amounts relating to Diana Containerships were eliminated from the Company's financial statements as intercompany transactions.

(f) ***Acquisition of affiliated entities:*** On October 8, 2010, the Company entered into two transfer agreements with Poinsettia Management Ltd. ("Poinsettia"), an entity affiliated with the Company's CEO and Chairman and with other executives, for the acquisition of 100% of the issued and outstanding shares of Universal and DSA for a total consideration of $21,500. The Company's Board of Directors appointed an independent committee consisting of the independent members of the Board of Directors to address any issues in connection with such acquisition and to evaluate the merits and fairness of the consideration of the transaction. The Independent Committee considered the Company's specific facts and circumstances and the developments in the domestic real estate market, obtained financial, legal and other advice as deemed appropriate and utilized multiple valuation approaches from different sources in its analysis, including but not limited to: i) independent market valuations for the entities' real property based on comparable real estate prices, ii) independent assessment of the physical condition of the real property, its fixtures and other infrastructure included within the real property and iii) discounted cash flow analyses (with reference also to the present value of the future lease outflows based upon the Company's then existing lease agreements for office space). Based upon the various inputs discussed above, the independent committee determined that the transaction was in the best interests of the Company and its stockholders and recommended the transaction to the Board. On October 21, 2010, the building and land were transferred to DSS.

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

(g) ***Acquisition of Gala:*** On April 13, 2009, the Company entered into agreements with the shipbuilders, Shanghai Jiangnan-Changxing Shipbuilding Co. Ltd., and with Gala, which was then a related party controlled by the two daughters of the Company's Chairman and Chief Executive Officer under which the Company acquired Gala, that had a contract with the China Shipbuilding Trading Company, Limited and Shanghai Jiangnan-Changxing Shipbuilding Co. Ltd., for the construction of the Houston for a contract price, as amended, of $60,200 and with scheduled delivery in October 2009, in exchange of its ownership interest in the Company's subsidiary Eniwetok Shipping Company Inc., which had a contract with the shipbuilders for the construction of Hull H1108. The Company also acquired the charter party, which Gala had already entered into for Houston (Note 8) for a consideration of $15,000. Assets exchanged were recorded at fair value, measured on the consummation date of the transaction. No gain or loss was recognized as a result of the transaction.

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

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

	2011	2010
Pre-delivery installments	$ 58,000	$ 34,800
Advances for vessel acquisitions	3,225	-
Capitalized interest and finance costs	1,516	449
Other related costs	699	31
Total	$ 63,440	$ 35,280

The movement of the account, during December 31, 2011 and December 31, 2010 was as follows:

	2011	2010
Beginning balance	$ 35,280	$ 29,630
- Advances for vessels under construction and other vessel costs	24,919	72,111
- Advances for vessel acquisitions and other vessel costs	3,241	31,647
- Transferred to vessel cost (Note 6)	-	(98,108)
Ending balance	$ 63,440	$ 35,280

In April 2010, the Company, through its newly established subsidiaries, Lae and Namu, entered into a shipbuilding contract with China Shipbuilding Trading Company, Limited and Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd for the construction of one Newcastlemax dry bulk carrier of approximately 206,000 dwt for each subsidiary. Each newbuilding (H1234, or "Los Angeles" and H1235 to be named "Philadelphia") has a contract price of $59,000 (reduced to $58,000 due to extra equipment not purchased from the yard).

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

During 2010 and 2011, the Company paid predelivery installments of an aggregate amount of $20,300 and $11,600, respectively for hull H1234 or "Los Angeles" and $14,500 and $11,600 for hull H1235 or "Philadelphia". The final instalment for "Los Angeles", amounting to $26,100 was paid on the vessel's delivery in February 2012 (Note 18). For "Philadelphia" the Company will pay an aggregate amount of $31,900 comprising of one predelivery installment and the delivery installment to be paid on the vessel's delivery which is expected in April 2012 (Notes 11 and 18).

On November 16, 2011, Jemo entered into a memorandum of agreement with a third party company to acquire M/V "Vathy", renamed "Leto", an 81,297 dwt Panamax dry bulk carrier, built in 2010, for the purchase price of $32,250. On November 21, 2011, the Company paid a 10% advance of the purchase price, amounting to $3,225 and the balance was paid on January 16, 2012, on the vessel's delivery (Note 18).

As at December 31, 2011 and 2010, the Company had $61,225 and $34,800, respectively, of construction and acquisition installments, and an aggregate amount of $2,215 and $480, respectively, of additional capitalized costs.

6. Vessels

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

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2009	$ 1,123,105	$ (143,762)	$ 979,343
- Transfer from advances for vessels under construction and acquisition and other vessel costs	98,108	-	98,108
- Acquisition and other vessel costs	134,431	-	134,431
- Depreciation for the year	-	(51,032)	(51,032)
Balance, December 31, 2010	$ 1,355,644	$ (194,794)	$ 1,160,850
- Deconsolidation of Diana Containerships Inc. (Note 3)	(93,531)	1,599	(91,932)
- Acquisition and other vessel costs	30,124	-	30,124
- Depreciation for the year	-	(52,323)	(52,323)
Balance, December 31, 2011	$ 1,292,237	$ (245,518)	$ 1,046,719

In January 2011, and following the deconsolidation of Diana Containerships Inc. (Note 3), after its spin-off on January 18, 2011, the cost and accumulated depreciation of the vessels "Sagitta" and "Centaurus" was removed from the consolidated financial statements of the Company.

On May 12, 2011, Bikar, entered into a Memorandum of Agreement for the purchase of M/V "Corona", renamed "Arethusa", a 73,593 dwt Panamax dry bulk carrier built in 2007, for the purchase price of $29,990. On May 13, 2011, the Company paid a 10% advance, or $2,999 of the purchase price and the balance was paid on delivery of the vessel on July 7, 2011. Predelivery expenses amounted to $134.

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

Fourteen of the Company's vessels, having a total carrying value of $397,547 as of December 31, 2011, have been provided as collateral to secure the revolving credit facility with the Royal Bank of Scotland discussed in Note 9. The vessels "Houston", "New York" and "Arethusa", having a carrying value of $57,651, $58,609 and $29,456, respectively, as of December 31, 2011 have been provided as collateral to secure the loan facilities with Bremer Landesbank, Deutsche Bank AG and Emporiki Bank of Greece S.A., respectively, discussed in Note 9.

7. Property and equipment, net

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

	Property and Equipment	Accumulated Depreciation	Net Book Value
Balance, December 31, 2009	$ 518	$ (318)	$ 200
- Land	11,109	-	11,109
- Building acquisition	10,391		10,391
- Additions in equipment	314		314
- Depreciation for the period	-	(172)	(172)
Balance, December 31, 2010	$ 22,332	$ (490)	$ 21,842
- Additions in equipment and building improvements	220	-	220
- Depreciation for the period	-	(403)	(403)
Balance, December 31, 2011	$ 22,552	$ (893)	$ 21,659

On October 21, 2010, the Company's wholly owned subsidiaries Universal and DSA, which were acquired from Poinsettia Management Ltd. ("Poinsettia"), an entity affiliated with the Company's CEO and Chairman and with other executives, transferred to DSS their property in land of an aggregate value of $11,109 and building of an aggregate value of $10,391.

8. Prepaid charter revenue, current and non-current

The amounts shown in the accompanying consolidated balance sheets reflect the unamortized balance of an asset recognized by the Company pursuant to the acquisition of Gala in May 2009 and the amount paid in excess of the predelivery installments for the construction of the vessel "Houston". Gala has time chartered the "Houston" to Jiangsu Shagang Group Co. ("Shagang") at a gross charter hire rate of $55 per day for a period of a minimum of 59 months and a maximum of 62 months which commenced in November 2009.

The amount recognized as prepaid charter revenue is amortized in revenues over the duration of the time charter contract beginning on the delivery of the vessel to the time charterers. As of December 31, 2011 and 2010, the unamortized balance of the account, net of accumulated amortization of $6,591 and $3,541, respectively, was $8,409 ($3,058 of current and $5,351 of non-current portion) and $11,459 ($3,050 of current and $8,409 of non-current portion), respectively.

The amortization to revenues for 2011, 2010 and 2009 amounted to $3,050, $3,048 and $493, respectively and is included in Time charter revenues in the accompanying consolidated statements of income.

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

The estimated amortization expense for each of the succeeding years is as follows:

Period				Amount
January 1, 2012	to	December 31, 2012	$	3,058
January 1, 2013	to	December 31, 2013		3,050
January 1, 2014	to	October 3, 2014		2,301

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

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

	2011	2010
Royal Bank of Scotland revolving credit facility	$ 290,700	$ 290,700
Bremer Landesbank loan facility	32,800	36,400
Deutsche Bank AG loan facility	35,800	38,200
DnB NOR Bank ASA loan facility	-	19,670
Emporiki Bank of Greece S.A.	15,000	-
Total debt outstanding	$ 374,300	$ 384,970
Less related deferred financing costs	(962)	(1,347)
Total debt, net of deferred financing costs	$ 373,338	$ 383,623
Current portion of long term debt	$ (27,700)	$ (7,320)
Long-term debt, non current portion	$ 345,638	$ 376,303

Royal Bank of Scotland ("Royal Bank") revolving credit facility: In February 2005, the Company entered into an agreement with the Royal Bank for a $230,000 secured revolving credit facility, to finance the acquisition of additional dry bulk carrier vessels or cellular container ships, the acquisition of DSS (Note 1) and for working capital. On May 24, 2006, the Company entered into an amended agreement to extend the facility amount to $300,000. Pursuant to the amended agreement, the Company is permitted to borrow amounts up to the facility limit, provided that certain pre-conditions are satisfied and that borrowings do not exceed 75% of the aggregate market value of the mortgaged vessels. The maturity of the credit facility is ten years and the interest rate on amounts drawn is at LIBOR plus a margin ranging from 0.75% to 0.85%. The loan bears commitment fees on the undrawn part of the facility of 0.25% per annum.

The amended facility is available in full for six years from May 24, 2006, the new availability date. At the end of the sixth year and over the remaining period of four years will be reducing in semiannually by $15,000 with a final reduction of $165,000 together with the last semi-annual reduction.

As of December 31, 2011 and December 31, 2010, there was a balance of $20,700 and $0, respectively, included in current portion of long-term debt and $270,000 and $290,700, respectively, included in non-current portion of long-term debt.The unused portion of the facility as at December 31, 2011 and December 31, 2010 amounted to $9,300. The weighted average interest rate of the revolving credit facility as at December 31, 2011 and 2010 was 1.07% and 1.10%, respectively.

The credit facility is secured by a first priority or preferred ship mortgage on fourteen vessels of the Company's fleet (Note 6), assignment of all freights, earnings, insurances and requisition compensation. The lenders may also require additional security in the future in the event the Company breaches certain covenants under the credit facility, as described below.

The credit facility contains covenants including restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio (mortgaged vessels' market values at least 120% of the outstanding balance of the credit facility), minimum liquidity of $400 per each vessel in the fleet mortgaged under or financed through the credit facility unless the available credit facility for working capital exceeds this amount and other financial covenants. As at December 31, 2011 and December 31, 2010, the available credit facility for working capital amounted to $9,300, thus exceeding minimum liquidity required amounting to $6,000 as of December 31, 2011 and $5,200 as of December 31, 2010. Furthermore, the Company is not permitted to pay any dividends that would result in a breach of the financial covenants of the facility. As at December 31, 2011, the Company obtained a waiver from the bank with regards to its share repurchase program (Note 12).

Bremer Landesbank ("Bremer") loan facility: On October 22, 2009, Gala entered into a loan agreement with Bremer to partly finance, or, as the case may be, refinance, the contract price of the vessel "Houston" for an amount of $40,000. The term of the loan is ten years starting from the delivery of the vessel in October 2009. The loan is repayable in 40 quarterly installments of $900 plus one balloon installment of $4,000 to be paid together with the last installment. The loan bears interest at LIBOR plus a margin of 2.15% per annum for the first two years (the "Initial Margin Application Period"). However, upon expiration of the Initial Margin Application Period in November 2011, Bremer did not propose a new margin for the remaining security period or part thereof, for agreement by Gala. An arrangement fee of $150 was paid upon signing of the loan agreement and has been recorded as a contra to debt. The loan bore commitment fees of 0.20% on the undrawn part of the loan, payable quarterly.

The loan is secured by a first priority or preferred ship mortgage on the vessel (Note 6), a first priority assignment of all earnings, insurances, and requisition compensation and a corporate guarantee. The lenders may also require additional security in the future in the event the Company breaches certain covenants under the loan agreement and includes restrictions as to changes in management and ownership of the vessel, additional indebtedness, substitute charters in the case the vessel's current charter is prematurely terminated, as well as minimum requirements regarding hull cover ratio (vessel's market value of at least 120% of the outstanding balance of the loan). Furthermore, the Company is not permitted to pay any dividends from the earnings of the vessel following the occurrence of an event of default. Also, Gala is required for the duration of the loan to maintain in its current account with the Bank sufficient funds to meet the next repayment installment and interest due at monthly intervals, any other outstanding indebtedness that becomes due with the bank and sufficient funds to cover the anticipated cost of the next special survey of the vessel accumulated at least a year prior to such a survey. As at December 31, 2011 and December 31, 2010, such funds amounted to $744 and $754, respectively.

As of December 31, 2011 and December 31, 2010, there was a balance of $3,600 and $3,600, respectively, included in current portion of long-term debt and $29,200 and $32,800, respectively, included in non-current portion of long-term debt. The weighted average interest rate of the loan facility as at December 31, 2011 and 2010 was 2.46% and 2.48%, respectively.

Deutsche Bank AG ("Deutsche") loan facility: On October 8, 2009, Bikini entered into a loan agreement with Deutsche to partly finance, or, as the case may be, refinance, the contract price of the vessel "New York" (Hull H1107), for an amount of $40,000, but not exceeding 80% of the fair value of the vessel. The term of the loan is five years commencing at vessel delivery in March 2010. The loan is repayable in 19 quarterly installments of $600 and a 20th installment equal to remaining outstanding balance of the loan. The loan bears interest at LIBOR plus a margin of 2.40% per annum. An arrangement fee of $300 was paid on signing the facility agreement. The loan bore commitment fees of 0.50%, on the undrawn part of the loan, payable quarterly in arrears and until the drawdown date.

The loan is secured by a first priority or preferred ship mortgage on the vessel (Note 6), a first priority assignment of all earnings, insurances, and requisition compensation and a corporate guarantee. The lenders may also require additional security in the future in the event the Company breaches certain covenants including restrictions as to changes in management and ownership of the vessel, additional indebtedness, as well as minimum requirements regarding hull cover ratio (vessel's market value of at least 125% of the outstanding balance of the loan), minimum liquidity of $400, average cash balance of $10,000, and other financial covenants. Furthermore, the Company is not permitted to pay any dividends that would result in a breach of the financial covenants.

As of December 31, 2011 and December 31, 2010, there was a balance of $2,400 and $2,400, respectively, included in current portion of long-term debt and $33,400 and $35,800, respectively, included in non-current portion of long-term debt. The weighted average interest rate of the loan facility as at December 31, 2011 and 2010 was 2.71% and 2.76%, respectively. As at December 31, 2011, the Company obtained a waiver from the bank with regards to its share repurchase program (Note 12).

Export-Import Bank of China and DnB NOR Bank ASA ("CEXIM and DnB NOR"): On October 2, 2010, Lae and Namu entered into a loan agreement with CEXIM and DnB NOR to finance part of the acquisition cost of the newbuildings H1234 to be named "Los Angeles" and H1235 to be named "Philadelphia", for an amount of up to $82,600. The loan is available until November 30, 2012 in two advances with each advance not exceeding the lower of $41,300 and the 70% of the market value of the ship relevant to it. The repayment of the loan will be made in 40 quarterly installments of $692.5 for each advance and a balloon of $13,600 payable together with the last installment. Each Bank has the right to demand repayment of the outstanding balance of any advance 72 months after the respective advance drawdown. Such demand shall be subject to written notification to be made no earlier than 54 months and not later than 60 months after the respective drawdown date for that advance. The loan will bear interest at LIBOR plus a margin of 2.50% per annum. The loan bears commitment fees of 0.50% per annum, on the undrawn portion of the loan and an agency fee of $10 to be paid annually until full repayment of the loan. An arrangement and structuring fee of $619.5 was paid on signing the agreement along with the payment of the annual agency fee.

The loan will be secured by a first preferred ship mortgage on the vessels, general assignments, charter assignments, operating account assignments, a corporate guarantee from DSI and manager's undertakings. The lender may also require additional security, if at any time the market value of the ships becomes less than the 125% of the aggregate of (a) the Loan and (b) the Swap Exposure, if any. Additionally, the borrowers upon drawdown of the loan are required to maintain minimum liquidity of $400 at each operating account, and the guarantor is required to maintain net worth of not less than $150,000 and at least 25% of the total assets and an average cash balance of $10,000. As at December 31, 2011, the Company obtained a waiver from the banks with regards to its share repurchase program (Note 12).

DnB NOR Bank ASA ("DnB NOR"): On July 7, 2010, the Company's then beneficially owned subsidiary, Diana Containerships (Note 3), entered through its wholly-owned ship-owning subsidiaries Likiep Shipping Company Inc. and Orangina Inc., into a loan agreement with DnB NOR to finance part of the acquisition cost of the vessels "Sagitta" and "Centaurus" for an amount of up to $40,000. The loan was available until July 31, 2011 in two advances for each vessel with each advance not exceeding the lower of $10,000 and the 25% of the market value of the ship relevant to it. The repayment of the loan would be in 24 quarterly installments of $165 for each advance, and a balloon of $6,040 payable together with the last installment. The loan bore interest at LIBOR plus a margin of 2.40% per annum. An arrangement fee of $400 was paid on signing the facility agreement. The loan bore commitment fees of 0.96%, on the undrawn part of the loan.

As of December 31, 2010, there was a balance of $1,320, included in current portion of long-term debt and $18,350, included in non-current portion of long-term debt. The weighted average interest rate of the loan facility as at December 31, 2010 was 2.82%. On January 10, 2011, Likiep and Orangina repaid $330 of the outstanding loan balance. Following the partial spin-off on January 18, 2011 (Note 3), Diana Containerships Inc. and its subsidiaries are no longer consolidated in the Company's consolidated financial statements and as such, there is no balance outstanding under the DnB loan in the Company's consolidated balance sheet as at December 31, 2011.

Emporiki Bank of Greece S.A.: On September 13, 2011, Bikar entered into a loan agreement with Emporiki Bank of Greece S.A., for a loan of up to $15,000 to refinance part of the acquisition cost of m/v "Arethusa". The loan is repayable in twenty equal semiannual installments of $500 each, starting six months from drawdown and a balloon payment of $5,000 to be paid together with the last installment not later than ten years from the drawdown date. The loan bears interest at LIBOR plus a margin of 2.5% per annum, or 1% for such loan amount that is equivalently secured by cash pledge in favor of the bank. The loan bore commitment fees of 0.50% per annum, on the undrawn portion of the loan. An arrangement fee of $45 was paid on signing the agreement.

The loan is secured with a first priority mortgage on the m/v "Arethusa" (Note 6), charter assignment on all charters exceeding 12 months, first priority general assignment of all earnings, insurances and requisition compensation on the vessel, a corporate guarantee from DSI, manager's undertaking and a first priority pledge on the earnings account and the cash collateral account. The lender may also require additional security, if at any time the market value of the vessel and the cash standing in a pledged account with the bank becomes less than the 120% of the aggregate of (a) the Loan and (b) the Swap Exposure, if any. The loan also has other non-financial and financial covenants, including minimum net worth, minimum cash of $10,000 to be held by DSI and $500 to be held by Bikar and/or the guarantor and maximum leverage.

On September 15, 2011, Bikar drew down $15,000 and as of December 31, 2011, there was a balance of $1,000 included in current portion of long-term debt and $14,000 included in non-current portion of long-term debt. The weighted average interest rate of the loan facility as at December 31, 2011 was 1.34%. As at December 31, 2011, the Company obtained a waiver from the bank with regards to its share repurchase program (Note 12).

Nordea Bank Finland Plc.: On December 22, 2011, Jemo (the "Borrower") accepted a term sheet from Nordea Bank Finland Plc, London Branch, for a secured term loan facility in the principal amount of $16,125, to partly finance the acquisition cost of M/V "Vathy" renamed to "Leto" (Notes 5 and 18). The loan will be available in a single drawdown no later than February 29, 2012 and will have a term of five years. It will be repaid in 20 consecutive equal quarterly instalments of $252, commencing three months after the initial borrowing date and a balloon payment of $11,085 payable together with the final quarterly instalment. The loan will bear interest at Libor plus a margin of 2.5% and commitment fees of 0.5% per annum on the undrawn amount under the facility from the date of the commitment letter until drawdown. (Note 18).

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

The loan will be secured with a corporate guarantee from DSI, a first priority mortgage on the vessel M/V "Leto", first priority assignment of earnings, first priority pledge of the earnings account, first priority assignment of the time charter (Note 11) and any subsequent charter contracts with a duration of one year or more, first priority assignment of insurances, first priority pledge over the shares of Jemo and manager's letter of subordination of rights. The loan will also have financial covenants such as minimum liquidity of $500 per vessel owned by the guarantor, minimum market-adjusted equity ratio of 25%, minimum market-adjusted net worth of $150 million and minimum hull value of 125% of the outstanding principal amount. Finally, the Company is not permitted to pay any dividends that would result in breach of financial or other covenants.

Total interest incurred on long-term debt for 2011, 2010 and 2009 amounted to $5,129, $4,982, and $3,307, respectively. Of the above amounts, $635, $340, and $363, respectively, were capitalized and included in Vessels and in Advances for vessels under construction and acquisitions and other vessel costs in the accompanying consolidated balance sheets. Interest expense on long-term debt, net of interest capitalized, is included in Interest and finance costs in the accompanying consolidated statements of income. The Company pays commitment fees on the undrawn portion of the facilities, which for 2011, 2010 and 2009 amounted to $468, $361, and $395, respectively of which $422, $110, and $175, respectively are included in Vessels and in Advances for vessels under construction and acquisition and other vessel costs.

The maturities of the Company's debt facilities described above, as at December 31, 2011, and throughout their term are as follows:

Period				Principal Repayment
January 1, 2012	to	December 31, 2012		$ 27,700
January 1, 2013	to	December 31, 2013		37,000
January 1, 2014	to	December 31, 2014		37,000
January 1, 2015	to	December 31, 2015		63,200
January 1, 2016	to	December 31, 2016		184,600
January 1, 2017	and thereafter			24,800
		Total		$ 374,300

10. Deferred revenue, current and non-current

The amounts presented as current and non-current deferred revenue in the accompanying consolidated balance sheets as of December 31, 2011 and December 31, 2010 reflect (a) cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met, (b) any deferred revenue resulting from charter agreements providing for varying annual charter rates over their term, which have been accounted for on a straight line basis at their average rate and (c) the unamortized balance of the liability associated with the acquisition of the vessel "Salt Lake City" with a charter party attached at a charter rate below market at the date of delivery of the vessel.

	2011	2010
Hires collected in advance	$ 3,905	$ 6,643
Charter revenue resulting from varying charter rates	-	1,901
Unamortized balance of time charter attached	4,231	9,345
Total	$ 8,136	$ 17,889
Less current portion	$ (8,136)	$ (13,662)
Non-current portion	$ -	$ 4,227

As of December 31, 2011 and 2010, cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met amounted to $3,905 and $6,643, respectively, and is included in Deferred revenue, current portion in the accompanying consolidated balance sheets.

In 2007, the Company entered into two long term time charter agreements with unrelated third party companies to charter the vessels "Semirio" and "Aliki" for a period of four years each at varying rates. The Company accounted for the revenues deriving from the above agreements on a straight line basis at the average rate of the agreements, and the balance was recorded in deferred revenue. During 2011, both charter party agreements expired and thus, there is no deferred revenue balance deriving from them. Therefore, as of December 31, 2011, there was no deferred revenue resulting from varying charter rates. As at December 31, 2010, deferred revenue amounted to $1,901, and is included in Deferred revenue, current in the accompanying 2010 consolidated balance sheet.

In December 2007, upon delivery of the vessel "Salt Lake City", the Company assumed the then existing time charter agreement of the vessel. According to the Company's policy, the time charter agreement was valued on the date of the vessel's delivery and resulted in the recognition of a deferred income (liability) of $25,000. As of December 31, 2011 and 2010, the unamortized balance of the liability amounted to $4,231 and $9,345, respectively, and is included in Deferred revenue, current portion ($4,231 and $5,118, respectively) and non-current portion (nil and $4,227, respectively), in the accompanying consolidated balance sheets. The amortization during 2011, 2010 and 2009 amounted to $5,114, $5,114, and $5,115 and is included in Time charter revenues in the accompanying consolidated statements of income.

11. 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. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Company's vessels are covered for pollution in the amount of $1 billion per vessel per incident, by the P&I Association in which the Company's vessels are entered. The Company's vessels are subject to calls payable to their P&I Association and may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the Board of Directors of the P&I Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to. The Company is not aware of any supplemental calls in respect of any policy year other than those that have already been recorded in its consolidated financial statements.

(b) The Company has entered into shipbuilding contracts for the construction of two Newcastlemax vessels (Note 5). As at December 31, 2011, the remaining installments under the contract for the construction of hull H1234, named "Los Angeles", amounted to $26,100 and for the construction of hull H1235, to be named "Philadelphia", amounted to $31,900.

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

(c) As of December 31, 2011, all our vessels (including those scheduled to be delivered after December 31, 2011) had fixed non-cancelable time charter contracts, the last of which expires in June 2016 (latest redelivery date), under the following terms:

Vessel Name	Daily time charter gross rate (in U.S. Dollars)	Date delivered to charterer	Charterer redelivery option periods
Nirefs	$ 12,250	18-Dec-11	18-Jan-13 - 18-Apr-13
Alcyon	$ 34,500	21-Feb-08	21-Nov-12 - 21-Feb-13
Triton	$ 19,500	11-Dec-10	11-Nov-13 - 11-Feb-14
Oceanis	$ 19,750	17-Sep-10	17-Aug-12 - 1-Nov-12
Dione	$ 20,500	26-Sep-10	26-Jul-12 - 26-Nov-12
Danae	$ 15,600	18-Apr-11	18-Mar-13 - 18-May-13
Protefs	$ 11,750	6-Aug-11	6-Jul-12 - 6-Oct-12
Calipso	$ 12,250	11-Oct-11	11-Aug-13 - 11-Dec-13
Clio	$ 25,000	8-May-10	8-Apr-12 - 8-Jun-12
Erato	$ 12,200	26-Nov-11	26-Dec-12 - 10-Apr-13
Thetis	$ 13,750	23-Feb-11	28-Jan-12 - 28-Jan-12
Coronis	$ 24,000	6-Apr-10	6-Mar-12 - 21-Jun-12
Naias	$ 19,750	24-Sep-10	24-Aug-12 - 24-Oct-12
Sideris	$ 30,500	16-Oct-10	16-Feb-13 - 16-Jun-13
Aliki	$ 26,500	1-Mar-11	1-Feb-16 - 1-Apr-16
Semirio	$ 17,350	30-May-11	15-Mar-13 - 14-Aug-13
Boston	$ 14,000	29-Oct-11	29-Aug-13 - 29-Dec-13
SLC	$ 55,800	28-Sep-07	28-Aug-12 - 28-Oct-12
Norfolk	$ 74,750	12-Feb-08	12-Jan-13 - 12-Mar-13
New York	$ 48,000	3-Mar-10	3-Jan-15 - 3-May-15
Melite	$ 16,500	1-Feb-11	1-Jan-13 - 1-Mar-13
Houston	$ 55,000	3-Nov-09	3-Oct-14 - 3-Jan-15
Alcmene	$ 20,250	20-Nov-10	5-Oct-12 - 4-Jan-13
Arethusa	$ 13,250	8-Jul-11	24-May-12 - 23-Aug-12
Leto	$ 12,900	17-Jan-12	17-Jan-14 - 17-Nov-14
Los Angeles	$ 18,000	9-Feb-12	9-Dec-15 - 9-Apr-16
Philadelphia	$ 18,000	30-Apr-12	30-Dec-15 - 30-Jun-16

12. Capital Stock and Changes in Capital Accounts

(a)Preferred stock and common stock*:* Under the amended articles of incorporation in May 2008 discussed in Note 1, the Company's authorized capital stock consists of 200,000,000 shares (all in registered form) of common stock, par value $0.01 per share and of 25,000,000 shares (all in registered form) of preferred stock, par value $0.01 per share. The holders of the common shares are entitled to one vote on all matters submitted to a vote of stockholders and to receive all dividends, if any.

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

(b)Incentive plan: In February 2005, the Company adopted an equity incentive plan (the "Plan") which entitles the Company's employees, officers and directors to receive options to acquire the Company's common stock. A total of 2,800,000 shares of common stock are available for issuance under the plan. The plan is administered by the Company's Board of Directors. Under the terms of the plan, the Company's Board of Directors is able to grant a) incentive stock options, b) non-qualified stock options, c) stock appreciation rights, d) dividend equivalent rights, e) restricted stock, f) unrestricted stock, g) restricted stock units, and h) performance shares. No options, stock appreciation rights or restricted stock units can be exercisable prior to the first anniversary or subsequent to the tenth anniversary of the date on which such award was granted. The plan will expire 10 years from the adoption of the plan by the Board of Directors. On October 21, 2008, the Stock Incentive Plan was amended and restated. Under the amended and restated Plan, the Administrator may waive or modify the application of forfeiture of awards of restricted stock and performance shares in connection with cessation of service with the Company. The Company's Board of Directors delegated to the members of the Compensation Committee its authority as Administrator of the Plan to vest restricted stock awards granted under the Plan in the event of the grantee's death. On May 2, 2011, the Company's board of directors approved to adopt the Diana Shipping Inc. 2011 Equity Incentive Plan, with substantially the same terms and provisions as the Company's Amended and Restated 2005 Equity Incentive Plan. Under the 2011 Equity Incentive Plan, an aggregate of 5,000,000 common shares will be available for issuance under the Plan.

During 2011, the Company's Board of Directors approved the grant of 616,055 shares of restricted common stock to executive management and non-executive directors pursuant to the Company's 2005 equity incentive plan as amended in 2008, and in accordance with terms and conditions of Restricted Shares Award Agreements signed by the grantees, having a fair value of $7,787. The restricted shares will vest over a period of 3 years by one-third each year, and are subject to forfeiture until they vest. Unless they forfeit, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares.

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

Restricted stock during the years ended December 31, 2011, 2010 and 2009 is analyzed as follows:

	Number of Shares	Weighted Average Grant Date Price
Outstanding at December 31, 2008	675,500	$ 19.07
Granted	364,200	$ 12.10
Vested	(125,167)	$ 20.28
Forfeited or expired	-	$ -
Outstanding at December 31, 2009	914,533	$ 16.13
Granted	519,926	$ 14.29
Vested	(246,572)	$ 16.25
Forfeited or expired	-	$ -
Outstanding at December 31, 2010	1,187,887	$ 15.30
Granted	616,055	$ 12.64
Vested	(419,880)	$ 15.44
Forfeited or expired	-	$ -
Outstanding at December 31, 2011	1,384,062	$ 14.07

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 income statement over the respective vesting periods. During 2011, 2010, and 2009, an amount of $8,087, $6,151, and $3,944, respectively, was recognized in General and administrative expenses. At December 31, 2011 and 2010, the total unrecognized cost relating to restricted share awards was $13,212 and $13,512, respectively. At December 31, 2011, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 1.04 years.

(c) Dividend Reinvestment and Direct Stock Purchase Plan ("DRIP"): In April 2008, the Company entered into a Plan for 2,500,000 shares of common stock to allow existing shareholders to purchase additional common stock by reinvesting all or a portion of the dividends paid on their common stock and by making optional cash investments and new investors to enter into the Plan by making an initial investment. During the period from January 1, 2011 until its termination in April 2011, 1,640 shares were issued pursuant to the DRIP in addition to the 21,187 shares issued as at December 31, 2010.

(d) Share repurchase agreement: In December 2011, the Company entered into an agreement with Goldman, Sachs & Co. (the "Broker") to repurchase its stock according to Rule 10b5-1(c)(l) and to the extend applicable to Rule 10b-18 under the Securities and Exchange Act of 1934. Under the terms of the agreement the Broker may purchase shares in the open market or through privately negotiated transactions. The agreement will terminate the earlier of February 29, 2012 and the date the purchased stock amounts to $10,000 (excluding commissions), unless there are other conditions to terminate the agreement earlier. As at December 31, 2011, the Company had repurchased 154,091 shares, amounting to $1,187, which were cancelled.

(e) Diana Containerships Inc.: On April 6, 2010, the Company invested $50,000 in a private offering of 5,892,330 shares of common stock of Diana Containerships pursuant to Rule 144A and Regulation S and Regulation D of the Securities Act of 1933, as amended, and acquired 3,333,333 common shares of Diana Containerships. The difference between the consideration paid by Diana during the offering and the book value of Diana's share in Diana Containerships's net proceeds from the offering, amounting $3,438, was recognized directly as an adjustment to additional paid-in capital.

On April 6, 2010, Diana Containerships issued 213,331 common shares of restricted stock with a grant date fair value of $3,200 to its executive officers, of which 25%, or 53,335 shares, vested on May 6, 2010 and the remaining shares vest ratably over three years by one-third each year. For 2010, an amount of $1,331 was recognized in General and administrative expenses, of which $604 is attributable to non-controlling interests, while for 2011, and until DCI's spin-off, $7 were recognized in General and administrative expenses.

13. Voyage and Vessel Operating Expenses

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

	2011	2010	2009
Voyage Expenses			
Bunkers	$ (1,663)	$ (652)	$ 779
Commissions charged by third parties	11,963	12,889	11,273
Miscellaneous	297	155	(87)
Total	$ 10,597	$ 12,392	$ 11,965
Vessel Operating Expenses			
Crew wages and related costs	$ 31,497	$ 28,406	$ 23,922
Insurance	4,369	4,181	3,410
Spares and consumable stores	12,686	12,691	9,149
Repairs and maintenance	5,903	6,257	4,043
Tonnage taxes (Note 16)	318	306	273
Other operating expenses	602	744	572
Total	$ 55,375	$ 52,585	$ 41,369

14. Interest and Finance Costs

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

	2011	2010	2009
Interest expense	$ 4,494	$ 4,642	$ 2,944
Amortization of financing costs	278	263	65
Commitment fees and other costs	152	308	275
Total	$ 4,924	$ 5,213	$ 3,284

15. Earnings per Share

All shares issued (including the restricted shares issued under the Company's Incentive Plan) are the Company's common stock and have equal rights to vote and participate in dividends upon their vesting. The calculation of basic earnings 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 2011, 2010 and 2009, the denominator of the diluted earnings per share calculation includes 42,574, 125,462 and 102,689 shares, being the number of incremental shares assumed issued under the treasury stock method weighted for the periods the non-vested shares were outstanding. For purposes of calculating the numerator of the 2010 diluted Earnings per Share ("EPS"), Diana Containerships's diluted Earnings/Losses per Share is multiplied by the number of shares held by the Company weighted for the period they were outstanding. The result substitutes the Company's share of the actual earnings/ losses of Diana Containerships.

	2011		2010		2009	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net income attributed to Diana Shipping Inc.	$ 107,497	$ 107,497	$ 128,779	$ 128,779	$ 121,498	$ 121,498
Weighted average number of common shares outstanding	81,081,774	81,081,774	80,682,770	80,682,770	78,282,775	78,282,775
Incremental shares	-	42,574	-	125,462	-	102,689
Total shares outstanding	81,081,774	81,124,348	80,682,770	80,808,232	78,282,775	78,385,464
Earnings per share	$ 1.33	$ 1.33	$ 1.60	$ 1.59	$ 1.55	$ 1.55

16. 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 income.

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

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

The Company and each of its subsidiaries expects to qualify for this statutory tax exemption for the 2011, 2010 and 2009 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 2011, 2010 and 2009, the Company would be subject to U.S. federal income tax of approximately $0.2 million, $0.2 million and $0.2 million, respectively, in the absence of an exemption under Section 883.

17. Financial Instruments

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair values of long-term bank loans approximate the recorded values, due to their variable interest rates.

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

As of December 31, 2011 and 2010, the fair value of the floor resulted in losses of $1,053 and $1,187 respectively, and the cap in gains of $23 and $196, respectively, resulting to an aggregate loss of $1,030 in 2011 and $991 in 2010, both separately presented in the accompanying consolidated financial statements.

During 2011, 2010 and 2009, the Company incurred losses from the swap amounting to $737, $1,477 and $505, respectively, separately presented as Loss from derivative instruments in the accompanying consolidated statements of income. The fair value of the collar agreement determined through Level 2 inputs of the fair value hierarchy as defined in 820-10-35-47 Fair Value Measurements and Disclosure, Subsequent Re-measurement of FASB Accounting Standard Codification (ASC), is derived principally from or corroborated by observable market data. Inputs include interest rates, yield curves and other items that allow value to be determined.

18. Subsequent Events

(a)Vessel delivery and loan agreement: On January 16, 2012, the Company took delivery of m/v Vathy, renamed to "Leto" (Note 5) and paid the delivery installment of $29,025. Part of the acquisition cost of the vessel was paid with proceeds under the loan facility with Nordea Bank discussed in Note 9, the Company entered into on February 7, 2012. On the same date, the Company drew down the full amount of $16,125 and paid an aggregate amount of $204 of arrangement and commitment fees.

(b)Vessel delivery and loan drawdown: On February 8, 2012, the Company took delivery of Hull 1234, named "Los Angeles" and paid the delivery installment of $26,100 (Note 5). On February 15, 2012, the Company drew down $37,450 under the loan facility with Cexim and DnB NOR discussed in Note 9, to finance part of the construction cost of the vessel.

(c)Annual Incentive Bonus: On February 22, 2012 the Company's Board of Directors approved a cash bonus of about $2,548 to all employees and executive management of the Company and 667,614 shares of restricted common stock awards to executive management and non-executive directors, pursuant to the Company's 2005 equity incentive plan as amended in 2008. The fair value of the restricted shares based on the closing price on the date of the Board of Directors' approval was about $6,095 and will be recognized in income ratably over the restricted shares vesting period which will be 3 years.

(d)Diana Enterprises Inc.: On February 22, 2011 the Brokerage Services Agreement between DSS and Diana Enterprises (Note 4) was terminated and replaced with a new agreement. Diana Enterprises will provide the Company, through DSS, brokerage services for a period of five years from the date of the agreement and for an annual lump sum commission of $2,384 paid quarterly in advance and effective retroactively from January 1, 2012.

(e)Vessel under construction: On March 12, 2012, the Company paid one additional predelivery installment for the construction of hull H1235, to be named "Philadelphia", amounting to $5,800.

(f)New construction contracts: On March 28, 2012, Erikub Shipping Company Inc. and Wotho Shipping Company Inc., each entered into one shipbuilding contract with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd for the construction of one 76,000 dwt ice class Panamax dry bulk carrier for each subsidiary for the contract price of $29,000 each. The two vessels are expected to be delivered in the fourth quarter of 2013.

(g)New vessel acquisition: On March 30, 2012, we entered into a Memorandum of Agreement to purchase from an unaffiliated third party, a 2005 built Panamax dry bulk carrier of 76,225 dwt, for a price of $20,650. On April 12, 2012 we paid a 20% advance, or $4,130 of the purchase price. The vessel, to be renamed "Melia", is expected to be delivered to the Company by the sellers in April 2012.

DIANA SHIPPING INC.

2011 EQUITY INCENTIVE PLAN

ARTICLE I.

General

1.1. Purpose

The Diana Shipping Inc. 2011 Equity Incentive Plan (the "Plan") is designed to provide certain Key Persons (as defined below), whose initiative and efforts are deemed to be important to the successful conduct of the business of Diana Shipping Inc. (the "Company"), with incentives to (a) enter into and remain in the service of the Company or its Affiliates (as defined below), (b) acquire a proprietary interest in the success of the Company, (c) maximize their performance and (d) enhance the long-term performance of the Company.

1.2. Administration

(a) Administration. The Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Board") or such other committee of the Board as may be designated by the Board to administer the Plan (the "Administrator"); provided that (i) in the event the Company is subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act"), the Administrator shall be composed of two or more directors, each of whom is a "Non-Employee Director" (a "Non-Employee Director") under Rule 16b-3 (as promulgated and interpreted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, or any successor rule or regulation thereto as in effect from time to time ("Rule 16b-3")), and (ii) the Administrator shall be composed solely of two or more directors who are "independent directors" under the rules of any stock exchange on which the Company's Common Stock (as defined below) is traded; provided further, however, that, (A) the requirement in the preceding clause (i) shall apply only when required to exempt an Award (as defined below) intended to qualify for an exemption under the applicable provisions referenced therein, (C) the requirement in the preceding clause (ii) shall apply only when required pursuant to the applicable rules of the applicable stock exchange and (D) if at any time the Administrator is not so composed as required by the preceding provisions of this sentence, that fact will not invalidate any grant made, or action taken, by the Administrator hereunder that otherwise satisfies the terms of the Plan. Subject to the terms of the Plan, applicable law and the applicable rules and regulations of any stock exchange on which the Common Stock is listed for trading, and in addition to other express powers and authorizations conferred on the Administrator by the Plan, the Administrator shall have the full power and authority to: (1) designate the Persons (as defined below) to receive Awards under the Plan; (2) determine the types of Awards granted to a participant under the Plan; (3) determine the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards; (4) determine the terms and conditions of any Awards; (5) determine whether, and to what extent, and under what circumstances, Awards may be settled or exercised in cash, shares, other securities, other Awards or other property, or

cancelled, forfeited or suspended, and the methods by which Awards may be settled, exercised, cancelled, forfeited or suspended; (6) determine whether, to what extent, and under what circumstances cash, shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred, either automatically or at the election of the holder thereof or the Administrator; (7) construe, interpret and implement the Plan and any Award Agreement (as defined below); (8) prescribe, amend, rescind or waive rules and regulations relating to the Plan, including rules governing its operation, and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (9) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award Agreement; and (10) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Administrator, may be made at any time and shall be final, conclusive and binding upon all Persons.

(b) General Right of Delegation. Except to the extent prohibited by applicable law, the applicable rules of a stock exchange or any charter, by-laws or other agreement governing the Administrator, the Administrator may delegate all or any part of its responsibilities to any Person or Persons selected by it; provided, however, that in no event shall an officer of the Company be delegated the authority to grant Awards to, or amend Awards held by, the following individuals: (i) individuals who are subject to Section 16 of the 1934 Act, or (ii) officers of the Company (or directors of the Company) to whom authority to grant or amend Awards has been delegated hereunder; provided, further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under applicable securities laws (including, without limitation, Rule 16b-3, to the extent applicable) and the rules of any applicable stock exchange. Any delegation hereunder shall be subject to the restrictions and limits that the Administrator specifies at the time of such delegation, and the Administrator may at any time rescind the authority so delegated or appoint a new delegate. At all times, the delegatee appointed under this Section 1.2(b) shall serve in such capacity at the pleasure of the Administrator.

(c) Indemnification. No member of the Board, the Administrator or any officer or employee of the Company or an Affiliate (each such Person, a "Covered Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with

counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's articles of incorporation or bylaws (in each case, as amended and/or restated). The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's articles of incorporation or bylaws (in each case, as amended and/or restated), as a matter of law, or otherwise, or any other power that the Company may have to indemnify such Persons or hold them harmless.

(d) Delegation of Authority to Senior Officers. The Administrator may, in accordance with and subject to the terms of Section 1.2(b), delegate, on such terms and conditions as it determines, to one or more senior officers of the Company the authority to make grants of Awards to Key Persons who are employees of the Company and its Subsidiaries (as defined below)(including any such prospective employee) or consultants of the Company and its Subsidiaries.

(e) Awards to Non-Employee Directors. Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards to Non-Employee Directors or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Administrator herein with respect to such Awards.

1.3. Persons Eligible for Awards

The Persons eligible to receive Awards under the Plan are those directors, officers and employees (including any prospective officer or employee) of the Company and its Subsidiaries and Affiliates and consultants and service providers to (including Persons who are employed by or provide services to any entity that is itself a consultant or service provider to) the Company and its Subsidiaries and Affiliates (collectively, "Key Persons") as the Administrator shall select.

1.4. Types of Awards

Awards may be made under the Plan in the form of (a) non-qualified stock options (i.e., stock options that are not "incentive stock options" for purposes of Sections 421 and 422 of the Code (as defined below)), (b) stock appreciation rights, (c) restricted stock, (d) restricted stock units, (e) dividend equivalents, (f) unrestricted stock and (g) other equity-based or equity-related Awards, all as more fully set forth in the Plan. The term "Award" means any of the foregoing that are granted under the Plan.

1.5. Shares Available for Awards; Adjustments for Changes in Capitalization

(a) Maximum Number. Subject to adjustment as provided in Section 1.5(c), the aggregate number of shares of common stock of the Company, par value $0.01("Common Stock"), with respect to which Awards may at any time be granted under the Plan shall be 5,000,000. The following shares of Common Stock shall again

become available for Awards under the Plan: (i) any shares that are subject to an Award under the Plan and that remain unissued upon the cancellation or termination of such Award for any reason whatsoever; (ii) any shares of restricted stock forfeited pursuant to the Plan or the applicable Award Agreement; provided that any dividend equivalent rights with respect to such shares that have not theretofore been directly remitted to the grantee are also forfeited; and (iii) any shares in respect of which an Award is settled for cash without the delivery of shares to the grantee. Any shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award shall again become available to be delivered pursuant to Awards under the Plan.

(b) Source of Shares. Shares issued pursuant to the Plan may be authorized but unissued Common Stock or treasury shares. The Administrator may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares.

(c) Adjustments. i) In the event that any dividend or other distribution (whether in the form of cash, Company shares, other securities or other property), stock split, reverse stock split, reorganization, merger, consolidation, split-up, combination, repurchase or exchange of Company shares or other securities of the Company, issuance of warrants or other rights to purchase Company shares or other securities of the Company, or other similar corporate transaction or event, other than an Equity Restructuring (as defined below), affects the Company shares such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, then the Administrator shall, in such manner as it may deem equitable, adjust any or all of the number of shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan.

(ii) The Administrator is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including the events described in Section 1.5(c)(i) or the occurrence of a Change in Control (as defined below), other than an Equity Restructuring) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law, whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, including providing for (A) adjustment to (1) the number of shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price (as defined below) with respect to any Award and (B) a substitution or assumption of Awards, accelerating the exercisability or vesting of, or lapse of restrictions on, Awards, or accelerating the termination of Awards by providing for a period of time for exercise prior to the occurrence of such event, or, if deemed appropriate or desirable, providing for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award (it being understood that, in such event, any option or stock appreciation right having a per share

Exercise Price equal to, or in excess of, the Fair Market Value (as defined below) of a share subject to such option or stock appreciation right may be cancelled and terminated without any payment or consideration therefor); provided, however, that with respect to options and stock appreciation rights, unless otherwise determined by the Administrator, such adjustment shall be made in accordance with the provisions of Section 424(h) of the Code.

(iii) In the event of (A) a dissolution or liquidation of the Company, (B) a sale of all or substantially all the Company's assets or (C) a merger, reorganization or consolidation involving the Company or one of its Subsidiaries, the Administrator shall have the power to:

(1) provide that outstanding options, stock appreciation rights, restricted stock units (including any related dividend equivalent right) and/or other Awards granted under the Plan shall either continue in effect, be assumed or an equivalent award shall be substituted therefor by the successor corporation or a parent corporation or subsidiary corporation;

(2) cancel, effective immediately prior to the occurrence of such event, options, stock appreciation rights, restricted stock units (including each dividend equivalent right related thereto) and/or other Awards granted under the Plan outstanding immediately prior to such event (whether or not then exercisable) and, in full consideration of such cancellation, pay to the holder of such Award a cash payment in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Administrator) of the shares subject to such Award (or the value of such Award, as determined by the Administrator, if not based on the Fair Market Value of shares) over the aggregate Exercise Price of such Award (or the grant price of such Award, if any, if applicable)(it being understood that, in such event, any option or stock appreciation right having a per share Exercise Price equal to, or in excess of, the Fair Market Value of a share subject to such option or stock appreciation right may be cancelled and terminated without any payment or consideration therefor); or

(3) notify the holder of an option or stock appreciation right in writing or electronically that each option and stock appreciation right shall be fully vested and exercisable for a period of 30 days from the date of such notice, or such shorter period as the Administrator may determine to be reasonable, and the option or stock appreciation right shall terminate upon the expiration of such period (which period shall expire no later than immediately prior to the consummation of the corporate transaction).

(iv) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in this Section 1.5(c):

(A) The number and type of securities or other property subject to each outstanding Award and the Exercise Price or grant price thereof, if applicable, shall be equitably adjusted; and

(B) The Administrator shall make such equitable adjustments, if any, as the Administrator may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that

may be issued under the Plan (including, but not limited to, adjustment of the limitation set forth in Section 1.5(a)). The adjustments provided under this Section 1.5(c)(iv) shall be nondiscretionary and shall be final and binding on the affected participant and the Company.

1.6. Definitions of Certain Terms

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Administrator.

(b) Unless otherwise set forth in the applicable Award Agreement, in connection with a termination of employment or consultancy/service relationship or a dismissal from Board membership, for purposes of the Plan, the term "for Cause" shall be defined as follows:

(i) if there is an employment, severance, consulting, service, change in control or other agreement governing the relationship between the grantee, on the one hand, and the Company or an Affiliate, on the other hand, that contains a definition of "cause" (or similar phrase), for purposes of the Plan, the term "for Cause" shall mean those acts or omissions that would constitute "cause" under such agreement; or

(ii) if the preceding clause (i) is not applicable to the grantee, for purposes of the Plan, the term "for Cause" shall mean any of the following:

(A) any failure by the grantee substantially to perform the grantee's employment or consulting/service or Board membership duties;

(B) any excessive unauthorized absenteeism by the grantee;

(C) any refusal by the grantee to obey the lawful orders of the Board or any other Person to whom the grantee reports;

(D) any act or omission by the grantee that is or may be injurious to the Company or any Affiliate, whether monetarily, reputationally or otherwise;

(E) any act by the grantee that is inconsistent with the best interests of the Company or any Affiliate;

(F) the grantee's gross negligence that is injurious to the Company or any Affiliate, whether monetarily, reputationally or otherwise;

(G) the grantee's material violation of any of the policies of the Company or an Affiliate, as applicable, including, without limitation, those policies relating to discrimination or sexual harassment;

(H) the grantee's material breach of his or her employment or service contract with the Company or any Affiliate;

(I) the grantee's unauthorized (1) removal from the premises of the Company or an Affiliate of any document (in any medium or form) relating to the Company or an Affiliate or the customers or clients of the Company or an Affiliate or (2) disclosure to any Person of any of the Company's, or any Affiliate's, confidential or proprietary information;

(J) the grantee's being convicted of, or entering a plea of guilty or nolo contendere to, any crime that constitutes a felony or involves moral turpitude; and

(K) the grantee's commission of any act involving dishonesty or fraud.

Any rights the Company or its Affiliates may have under the Plan in respect of the events giving rise to a termination or dismissal "for Cause" shall be in addition to any other rights the Company or its Affiliates may have under any other agreement with a grantee or at law or in equity. Any determination of whether a grantee's employment or consultancy/service relationship is (or is deemed to have been) terminated "for Cause" shall be made by the Administrator. If, subsequent to a grantee's voluntary termination of employment or consultancy/service relationship or involuntary termination of employment or consultancy/service relationship without Cause, it is discovered that the grantee's employment or consultancy/service relationship could have been terminated "for Cause", the Administrator may deem such grantee's employment or consultancy/service relationship to have been terminated "for Cause" upon such discovery and determination by the Administrator.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) Unless otherwise set forth in the applicable Award Agreement, "Disability" shall mean the grantee's being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or the grantee's, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the grantee's employer. The existence of a Disability shall be determined by the Administrator.

(e) "Equity Restructuring" shall mean a non-reciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the shares of Common Stock (or other securities of the Company) or the share price thereof and causes a change in the per share value of the shares underlying outstanding Awards.

(f) "Exercise Price" shall mean (i) in the case of options, the price specified in the applicable Award Agreement as the price-per-share at which such share can be purchased pursuant to the option or (ii) in the case of stock appreciation rights, the price specified in the applicable Award Agreement as the reference price-per-share used to calculate the amount payable to the grantee.

(g) The "Fair Market Value" of a share of Common Stock on any day shall be the closing price on the New York Stock Exchange, or such other primary stock exchange upon which such shares are then listed, as reported for such day in The Wall Street Journal (or, if not reported in The Wall Street Journal, such other reliable source as the Administrator may determine), or, if no such price is reported for such day, the average of the high bid and low asked price of Common Stock as reported for such day. If no quotation is made for the applicable day, the Fair Market Value of a share of Common Stock on such day shall be determined in the manner set forth in the preceding sentence for the next preceding trading day. Notwithstanding the foregoing, if there is no reported closing price or high bid/low asked price that satisfies the preceding sentences, or if otherwise deemed necessary or appropriate by the Administrator, the Fair Market Value of a share of Common Stock on any day shall be determined by such methods and procedures as shall be established from time to time by the Administrator. The "Fair Market Value" of any property other than Common Stock shall be the fair market value of such property determined by such methods and procedures as shall be established from time to time by the Administrator.

(h) "Person" shall mean any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental body or other entity of any kind.

(i) "Repricing" shall mean (i) lowering the Exercise Price of an option or a stock appreciation right after it has been granted, (ii) the cancellation of an option or a stock appreciation right in exchange for cash or another Award when the Exercise Price exceeds the Fair Market Value of the underlying shares subject to the Award and (iii) any other action with respect to an option or a stock appreciation right that is treated as a repricing under (A) generally accepted accounting principles or (B) any applicable stock exchange rules.

(j) "Subsidiary" shall mean any entity in which the Company, directly or indirectly, has a 50% or more equity interest.

ARTICLE II.

Awards Under The Plan

2.1. Agreements Evidencing Awards

Each Award granted under the Plan shall be evidenced by a written certificate ("Award Agreement"), which shall contain such provisions as the Administrator may deem necessary or desirable and which may, but need not, require execution or acknowledgment by a grantee. The Award shall be subject to all of the terms and provisions of the Plan and the applicable Award Agreement.

2.2. Grant of Stock Options and Stock Appreciation Rights

(a) Stock Option Grants. The Administrator may grant non-qualified stock options ("options") to purchase shares of Common Stock from the Company to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the

provisions of the Plan. No option will be treated as an "incentive stock option" for purposes of the Code. It shall be the intent of the Administrator to not grant an Award in the form of stock options to any Key Person who is then subject to the requirements of Section 409A of the Code with respect to such Award if the Common Stock (as defined below) underlying such Award does not then qualify as "service recipient stock" for purposes of Section 409A. Furthermore, it shall be the intent of the Administrator, in granting options to Key Persons who are subject to Section 409A and/or 457 of the Code, to structure such options so as to comply with the requirements of Section 409A and/or 457 of the Code, as applicable.

(b) Stock Appreciation Right Grants; Types of Stock Appreciation Rights. The Administrator may grant stock appreciation rights to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. The terms of a stock appreciation right may provide that it shall be automatically exercised for a payment upon the happening of a specified event that is outside the control of the grantee and that it shall not be otherwise exercisable. Stock appreciation rights may be granted in connection with all or any part of, or independently of, any option granted under the Plan. It shall be the intent of the Administrator to not grant an Award in the form of stock appreciation rights to any Key Person (i) who is then subject to the requirements of Section 409A of the Code with respect to such Award if the Common Stock underlying such Award does not then qualify as "service recipient stock" for purposes of Section 409A or (ii) if such Award would create adverse tax consequences for such Key Person under Section 457A of the Code.

(c) Nature of Stock Appreciation Rights. The grantee of a stock appreciation right shall have the right, subject to the terms of the Plan and the applicable Award Agreement, to receive from the Company an amount equal to (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of the stock appreciation right over the Exercise Price of the stock appreciation right, multiplied by (ii) the number of shares with respect to which the stock appreciation right is exercised. Each Award Agreement with respect to a stock appreciation right shall set forth the Exercise Price of such Award and, unless otherwise specifically provided in the Award Agreement, the Exercise Price of a stock appreciation right shall equal the Fair Market Value of a share of Common Stock on the date of grant; provided that in no event may such Exercise Price be less than the greater of (A) the Fair Market Value of a share of Common Stock on the date of grant and (B) the par value of a share of Common Stock. Payment upon exercise of a stock appreciation right shall be in cash or in shares of Common Stock (valued at their Fair Market Value on the date of exercise of the stock appreciation right) or any combination of both, all as the Administrator shall determine. Repricing of stock appreciation rights granted under the Plan shall not be permitted (1) to the extent such action could cause adverse tax consequences to the grantee under Sections 409A or 457A of the Code or (2) without prior shareholder approval, to the extent such approval would be required to be obtained by the Company pursuant to the applicable rules of any applicable stock exchange on which the Common Stock is then listed, and any action that would be deemed to result in a Repricing of a stock appreciation right shall be deemed null and void if it would cause such adverse tax consequences or if any requisite shareholder approval related thereto is not obtained prior to the effective time of such action. Upon the exercise of a stock appreciation right

granted in connection with an option, the number of shares subject to the option shall be reduced by the number of shares with respect to which the stock appreciation right is exercised. Upon the exercise of an option in connection with which a stock appreciation right has been granted, the number of shares subject to the stock appreciation right shall be reduced by the number of shares with respect to which the option is exercised.

(d) Option Exercise Price. Each Award Agreement with respect to an option shall set forth the Exercise Price of such Award and, unless otherwise specifically provided in the Award Agreement, the Exercise Price of an option shall equal the Fair Market Value of a share of Common Stock on the date of grant; provided that in no event may such Exercise Price be less than the greater of (i) the Fair Market Value of a share of Common Stock on the date of grant and (ii) the par value of a share of Common Stock. Repricing of options granted under the Plan shall not be permitted (1) to the extent such action could cause adverse tax consequences to the grantee under Sections 409A or 457A of the Code or (2) without prior shareholder approval, to the extent such approval would be required to be obtained by the Company pursuant to the applicable rules of any applicable stock exchange on which the Common Stock is then listed, and any action that would be deemed to result in a Repricing of an option shall be deemed null and void if it would cause such adverse tax consequences or if any requisite shareholder approval related thereto is not obtained prior to the effective time of such action.

2.3. Exercise of Options and Stock Appreciation Rights

Subject to the other provisions of this Article II and the Plan, each option and stock appreciation right granted under the Plan shall be exercisable as follows:

(a) Timing and Extent of Exercise. Options and stock appreciation rights shall be exercisable at such times and under such conditions as determined by the Administrator and set forth in the corresponding Award Agreement, but in no event shall any portion of such Award be exercisable subsequent to the tenth anniversary of the date on which such Award was granted. Unless the applicable Award Agreement otherwise provides, an option or stock appreciation right may be exercised from time to time as to all or part of the shares as to which such Award is then exercisable.

(b) Notice of Exercise. An option or stock appreciation right shall be exercised by the filing of a written notice with the Company or the Company's designated exchange agent (the "Exchange Agent"), on such form and in such manner as the Administrator shall prescribe.

(c) Payment of Exercise Price. Any written notice of exercise of an option shall be accompanied by payment for the shares being purchased. Such payment shall be made: (i) by certified or official bank check (or the equivalent thereof acceptable to the Company or its Exchange Agent) for the full option Exercise Price; (ii) with the consent of the Administrator, which consent shall be given or withheld in the sole discretion of the Administrator, by delivery of shares of Common Stock having a Fair Market Value (determined as of the exercise date) equal to all or part of the option Exercise Price and a certified or official bank check (or the equivalent thereof acceptable to the Company or its Exchange Agent) for any remaining portion of the full option Exercise Price; or

(iii) at the sole discretion of the Administrator and to the extent permitted by law, by such other provision, consistent with the terms of the Plan, as the Administrator may from time to time prescribe (whether directly or indirectly through the Exchange Agent), or by any combination of the foregoing payment methods.

(d) Delivery of Certificates Upon Exercise. Subject to Sections 3.2, 3.4 and 3.13, promptly after receiving payment of the full option Exercise Price, or after receiving notice of the exercise of a stock appreciation right for which the Administrator determines payment will be made partly or entirely in shares, the Company or its Exchange Agent shall (i) deliver to the grantee, or to such other Person as may then have the right to exercise the Award, a certificate or certificates for the shares of Common Stock for which the Award has been exercised or, in the case of stock appreciation rights, for which the Administrator determines will be made in shares or (ii) establish an account evidencing ownership of the stock in uncertificated form. If the method of payment employed upon an option exercise so requires, and if applicable law permits, an optionee may direct the Company or its Exchange Agent, as the case may be, to deliver the stock certificate(s) to the optionee's stockbroker.

(e) No Stockholder Rights. No grantee of an option or stock appreciation right (or other Person having the right to exercise such Award) shall have any of the rights of a stockholder of the Company with respect to shares subject to such Award until the issuance of a stock certificate to such Person for such shares. Except as otherwise provided in Section 1.5(c), no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

2.4. Termination of Employment/Service; Death Subsequent to a Termination of Employment/Service

(a) General Rule. Except to the extent otherwise provided in paragraphs (b), (c), (d), (e) or (f) of this Section 2.4 or Section 3.5(b)(iii), a grantee who incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates may exercise any outstanding option or stock appreciation right on the following terms and conditions: (i) exercise may be made only to the extent that the grantee was entitled to exercise the Award on the date of termination of employment or consultancy/service relationship, as applicable; and (ii) exercise must occur within three months after termination of employment or consultancy/service relationship but in no event after the original expiration date of the Award; it being understood that then outstanding options and stock appreciation rights shall not be affected by a change of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates so long as the grantee continues to be a director, officer or employee of, or a consultant or service provider to (or a Person employed by or providing services to any entity that that is itself a consultant or service provider to), the Company or any of its Subsidiaries or Affiliates.

(b) Dismissal "for Cause". If a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates "for Cause", all options and stock appreciation rights not theretofore exercised shall

immediately terminate upon such termination of employment or consultancy/service relationship.

(c) Retirement. If a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates as the result of his or her retirement (as defined below), then any outstanding option or stock appreciation right shall, to the extent exercisable at the time of such retirement, remain exercisable for a period of three years after such retirement; provided that in no event may such option or stock appreciation right be exercised following the original expiration date of the Award. For this purpose, unless otherwise set forth in the applicable Award Agreement, "retirement" shall mean a grantee's resignation of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates, with the Company's or its applicable Affiliate's prior consent, on or after (i) his or her 65th birthday, (ii) the date on which he or she has attained age 60 and completed at least five years of service with the Company or one or more of its Affiliates (using any method of calculation the Administrator deems appropriate) or (iii) if approved by the Administrator, on or after his or her having completed at least 20 years of service with the Company or one or more of its Affiliates (using any method of calculation the Administrator deems appropriate).

(d) Disability. If a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates by reason of a Disability, then any outstanding option or stock appreciation right shall, to the extent exercisable at the time of such termination, remain exercisable for a period of one year after such termination; provided that in no event may such option or stock appreciation right be exercised following the original expiration date of the Award.

(e) Death.

(i) *Termination of Employment/Service as a Result of Grantee's Death*. If a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates as the result of his or her death, then any outstanding option or stock appreciation right shall, to the extent exercisable at the time of such death, remain exercisable for a period of one year after such death; provided that in no event may such option or stock appreciation right be exercised following the original expiration date of the Award.

(ii) *Restrictions on Exercise Following Death*. Any such exercise of an Award following a grantee's death shall be made only by the grantee's executor or administrator or other duly appointed representative reasonably acceptable to the Administrator, unless the grantee's will specifically disposes of such Award, in which case such exercise shall be made only by the recipient of such specific disposition. If a grantee's personal representative or the recipient of a specific disposition under the grantee's will shall be entitled to exercise any Award pursuant to the preceding sentence, such representative or recipient shall be bound by all the terms and conditions of the Plan and the applicable Award Agreement which would have applied to the grantee.

(f) Administrator Discretion. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.4.

2.5. Transferability of Options and Stock Appreciation Rights

Except as otherwise specifically provided in this Plan or the applicable Award Agreement evidencing an option or stock appreciation right, during the lifetime of a grantee, each such Award granted to a grantee shall be exercisable only by the grantee, and no such Award may be sold, assigned, transferred, pledged or otherwise encumbered or disposed of other than by will or by the laws of descent and distribution. The Administrator may, in any applicable Award Agreement evidencing an option or stock appreciation right, permit a grantee to transfer all or some of the options or stock appreciation rights to (a) the grantee's spouse, children or grandchildren ("Immediate Family Members"), (b) a trust or trusts for the exclusive benefit of such Immediate Family Members or (c) other parties approved by the Administrator. Following any such transfer, any transferred options and stock appreciation rights shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer.

2.6. Grant of Restricted Stock

(a) Restricted Stock Grants. The Administrator may grant restricted shares of Common Stock to such Key Persons, in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions as the Administrator shall determine, subject to the provisions of the Plan. A grantee of a restricted stock Award shall have no rights with respect to such Award unless such grantee accepts the Award within such period as the Administrator shall specify by accepting delivery of a restricted stock Award Agreement in such form as the Administrator shall determine.

(b) Issuance of Stock Certificate. Promptly after a grantee accepts a restricted stock Award in accordance with Section 2.6(a), subject to Sections 3.2, 3.4 and 3.13, the Company or its Exchange Agent shall issue to the grantee a stock certificate or stock certificates for the shares of Common Stock covered by the Award or shall establish an account evidencing ownership of the stock in uncertificated form. Upon the issuance of such stock certificates, or establishment of such account, the grantee shall have the rights of a stockholder with respect to the restricted stock, subject to: (i) the nontransferability restrictions and forfeiture provisions described in the Plan (including paragraphs (d) and (e) of this Section 2.6); (ii) in the Administrator's sole discretion, a requirement, as set forth in the Award Agreement, that any dividends paid on such shares shall be held in escrow and, unless otherwise determined by the Administrator, shall remain forfeitable until all restrictions on such shares have lapsed; and (iii) any other restrictions and conditions contained in the applicable Award Agreement.

(c) Custody of Stock Certificate. Unless the Administrator shall otherwise determine, any stock certificates issued evidencing shares of restricted stock shall remain in the possession of the Company (or such other custodian as may be designated by the Administrator) until such shares are free of any restrictions specified in the applicable Award Agreement. The Administrator may direct that such stock certificates bear a legend setting forth the applicable restrictions on transferability.

(d) Nontransferability. Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of prior to the lapsing of all

restrictions thereon, except as otherwise specifically provided in this Plan or the applicable Award Agreement. The Administrator at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the restricted stock shall lapse.

(e) Consequence of Termination of Employment/Service. Unless otherwise set forth in the applicable Award Agreement, (i) a grantee's termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates for any reason other than death or Disability shall cause the immediate forfeiture of all shares of restricted stock that have not yet vested as of the date of such termination of employment or consultancy/service relationship and (ii) if a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates as the result of his or her death or Disability, all shares of restricted stock that have not yet vested as of the date of such termination shall immediately vest as of such date; it being understood that then outstanding restricted stock Awards shall not be affected by a change of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates so long as the grantee continues to be a director, officer or employee of, or a consultant or service provider to (or a Person employed by or providing services to any entity that that is itself a consultant or service provider to), the Company or any of its Subsidiaries or Affiliates. Unless otherwise determined by the Administrator, all dividends paid on shares forfeited under this Section 2.6(e) that have not theretofore been directly remitted to the grantee shall also be forfeited, whether by termination of any escrow arrangement under which such dividends are held or otherwise. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.6(e).

2.7. Grant of Restricted Stock Units

(a) Restricted Stock Unit Grants. The Administrator may grant restricted stock units to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. A restricted stock unit granted under the Plan shall confer upon the grantee a right to receive from the Company, conditioned upon the occurrence of such vesting event as shall be determined by the Administrator and specified in the Award Agreement, the number of such grantee's restricted stock units that vest upon the occurrence of such vesting event multiplied by the Fair Market Value of a share of Common Stock on the date of vesting. Payment upon vesting of a restricted stock unit shall be in cash or in shares of Common Stock (valued at their Fair Market Value on the date of vesting) or both, all as the Administrator shall determine, and such payments shall be made to the grantee at such time as provided in the Award Agreement, which the Administrator shall intend to be (i) if Section 409A of the Code is applicable to the grantee, within the period required by Section 409A such that it qualifies as a "short-term deferral" pursuant to Section 409A and the Treasury Regulations issued thereunder, unless the Administrator shall provide for deferral of the Award intended to comply with Section 409A, (ii) if Section 457A of the Code is applicable to the grantee, within the period required by Section 457A(d)(3)(B) such that it qualifies for the exemption thereunder, or (iii) if Sections 409A and 457A of the Code are not applicable to the grantee, at such time as determined by the Administrator.

(b) Dividend Equivalents. The Administrator may include in any Award Agreement with respect to a restricted stock unit a dividend equivalent right entitling the grantee to receive amounts equal to the ordinary dividends that would be paid, during the time such Award is outstanding and unvested, and/or, if payment of the vested Award is deferred, during the period of such deferral following such vesting event, on the shares of Common Stock underlying such Award if such shares were then outstanding. In the event such a provision is included in a Award Agreement, the Administrator shall determine whether such payments shall be (i) paid to the holder of the Award, as specified in the Award Agreement, either (A) at the same time as the underlying dividends are paid, regardless of the fact that the restricted stock unit has not theretofore vested, (B) at the time at which the Award's vesting event occurs, conditioned upon the occurrence of the vesting event, (C) once the Award has vested, at the same time as the underlying dividends are paid, regardless of the fact that payment of the vested restricted stock unit has been deferred, and/or (D) at the time at which the corresponding vested restricted stock units are paid, (ii) made in cash, shares of Common Stock or other property and (iii) subject to such other vesting and forfeiture provisions and other terms and conditions as the Administrator shall deem appropriate and as shall be set forth in the Award Agreement.

(c) Consequence of Termination of Employment/Service. Unless otherwise set forth in the applicable Award Agreement, (i) a grantee's termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates for any reason other than death or Disability shall cause the immediate forfeiture of all restricted stock units that have not yet vested as of the date of such termination of employment or consultancy/service relationship and (ii) if a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates as the result of his or her death or Disability, all restricted stock units that have not yet vested as of the date of such termination shall immediately vest as of such date; it being understood that then outstanding restricted stock units shall not be affected by a change of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates so long as the grantee continues to be a director, officer or employee of, or a consultant or service provider to (or a Person employed by or providing services to any entity that that is itself a consultant or service provider to), the Company or any of its Subsidiaries or Affiliates. Unless otherwise determined by the Administrator, any dividend equivalent rights on any restricted stock units forfeited under this Section 2.7(c) that have not theretofore been directly remitted to the grantee shall also be forfeited, whether by termination of any escrow arrangement under which such dividends are held or otherwise. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.7(c).

(d) No Stockholder Rights. No grantee of a restricted stock unit shall have any of the rights of a stockholder of the Company with respect to such Award unless and until a stock certificate is issued with respect to such Award upon the vesting of such Award (it being understood that the Administrator shall determine whether to pay any vested restricted stock unit in the form of cash or Company shares or both), which issuance shall be subject to Sections 3.2, 3.4 and 3.13. Except as otherwise provided in Section 1.5(c), no adjustment to any restricted stock unit shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash,

securities or other property) for which the record date is prior to the date such stock certificate, if any, is issued.

(e) Transferability of Restricted Stock Units. Except as otherwise specifically provided in this Plan or the applicable Award Agreement evidencing a restricted stock unit, no restricted stock unit granted under the Plan may be sold, assigned, transferred, pledged or otherwise encumbered or disposed of other than by will or by the laws of descent and distribution. The Administrator may, in any applicable Award Agreement evidencing a restricted stock unit, permit a grantee to transfer all or some of the restricted stock units to (i) the grantee's Immediate Family Members, (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members or (iii) other parties approved by the Administrator. Following any such transfer, any transferred restricted stock units shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer.

2.8. Grant of Unrestricted Stock

The Administrator may grant (or sell at a purchase price at least equal to par value) shares of Common Stock free of restrictions under the Plan to such Key Persons and in such amounts and subject to such forfeiture provisions as the Administrator shall determine. Shares may be thus granted or sold in respect of past services or other valid consideration.

2.9. Other Stock-Based Awards

Subject to the provisions of the Plan (including, without limitation, Section 3.16), the Administrator shall have the sole and complete authority to grant to Key Persons other equity-based or equity-related Awards in such amounts and subject to such terms and conditions as the Administrator shall determine; provided that any such Awards must comply with applicable law and, to the extent deemed desirable by the Administrator, Rule 16b-3.

2.10. Dividend Equivalents

Subject to the provisions of the Plan (including, without limitation, Section 3.16), in the discretion of the Administrator, an Award, other than an option or stock appreciation right, may provide the Award recipient with dividends or dividend equivalents, payable in cash, shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Administrator, including, without limitation, payment directly to the Award recipient, withholding of such amounts by the Company subject to vesting of the Award, or reinvestment in additional shares, restricted shares or other Awards.

ARTICLE III.

Miscellaneous

3.1. Amendment of the Plan; Modification of Awards

(a) Amendment of the Plan. The Board may from time to time suspend, discontinue, revise or amend the Plan in any respect whatsoever, except that no such amendment shall materially impair any rights or materially increase any obligations under any Award theretofore made under the Plan without the consent of the grantee (or, upon the grantee's death, the Person having the rights to the Award). For purposes of this Section 3.1, any action of the Board or the Administrator that in any way alters or affects the tax treatment of any Award shall not be considered to materially impair any rights of any grantee.

(b) Stockholder Approval Requirement. If required by applicable rules or regulations of a national securities exchange or the SEC, the Company shall obtain stockholder approval with respect to any amendment to the Plan that (i) expands the types of Awards available under the Plan, (ii) materially increases the aggregate number of shares which may be issued under the Plan, except as permitted pursuant to Section 1.5(c), (iii) materially increases the benefits to participants under the Plan, including any material change to (A) permit, or that has the effect of, a Repricing of any outstanding Award, (B) reduce the price at which shares or options to purchase shares may be offered or (C) extend the duration of the Plan, or (iv) materially expands the class of Persons eligible to receive Awards under the Plan.

(c) Modification of Awards. The Administrator may cancel any Award under the Plan. The Administrator also may amend any outstanding Award Agreement, including, without limitation, by amendment which would: (i) accelerate the time or times at which the Award becomes unrestricted, vested or may be exercised; (ii) waive or amend any goals, restrictions or conditions set forth in the Award Agreement; or (iii) waive or amend the operation of Sections 2.4, 2.6(e) or 2.7(c) with respect to the termination of the Award upon termination of employment or consultancy/service relationship or dismissal from the Board; provided, however, that no such amendment shall be made without shareholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Award. However, any such cancellation or amendment (other than an amendment pursuant to Section 1.5, 3.5 or 3.16) that materially impairs the rights or materially increases the obligations of a grantee under an outstanding Award shall be made only with the consent of the grantee (or, upon the grantee's death, the Person having the right to exercise the Award). In making any modification to an Award (e.g., an amendment resulting in a direct or indirect reduction in the Exercise Price or a waiver or modification under Section 2.4(f), 2.6(e) or 2.7(c)), the Administrator may consider the implications, if any, of such modification under the Code with respect to Sections 409A and 457A of the Code with respect to Awards granted under the Plan to individuals subject to such provisions of the Code.

3.2. Consent Requirement

(a) No Plan Action Without Required Consent. If the Administrator shall at any time determine that any Consent (as defined below) is necessary or desirable as a condition of, or in connection with, the granting of any Award under the Plan, the issuance or purchase of shares or other rights thereunder, or the taking of any other action thereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Administrator.

(b) Consent Defined. The term "Consent" as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state or local law, rule or regulation, (ii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Administrator shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made and (iii) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies or any other Person.

3.3. Nonassignability

Except as provided in Sections 2.4(e), 2.5, 2.6(d) or 2.7(e), (a) no Award or right granted to any Person under the Plan or under any Award Agreement shall be assignable or transferable other than by will or by the laws of descent and distribution and (b) all rights granted under the Plan or any Award Agreement shall be exercisable during the life of the grantee only by the grantee or the grantee's legal representative or the grantee's permissible successors or assigns (as authorized and determined by the Administrator). All terms and conditions of the Plan and the applicable Award Agreements will be binding upon any permitted successors or assigns.

3.4. Taxes

(a) Withholding. A grantee or other Award holder under the Plan shall be required to pay, in cash, to the Company, and the Company and its Affiliates shall have the right and are hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to such grantee or other Award holder, the amount of any applicable withholding taxes in respect of an Award, its grant, its exercise, its vesting, or any payment or transfer under an Award or under the Plan, and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for payment of such taxes. Whenever shares of Common Stock are to be delivered pursuant to an Award under the Plan, with the approval of the Administrator, which the Administrator shall have sole discretion whether or not to give, the grantee may satisfy the foregoing condition by electing to have the Company withhold from delivery shares having a value equal to the amount of minimum tax required to be withheld. Such shares shall be valued at their Fair Market Value as of the date on which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such a

withholding election may be made with respect to all or any portion of the shares to be delivered pursuant to an Award as may be approved by the Administrator in its sole discretion.

(b) Liability for Taxes. Grantees and holders of Awards are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including, without limitation, any taxes arising under Sections 409A and 457A of the Code) and the Company shall not have any obligation to indemnify or otherwise hold any such Person harmless from any or all of such taxes. The Administrator shall have the discretion to organize any deferral program, to require deferral election forms, and to grant or, notwithstanding anything to the contrary in the Plan or any Award Agreement, to unilaterally modify any Award in a manner that (i) conforms with the requirements of Sections 409A and 457A of the Code (to the extent applicable), (ii) voids any participant election to the extent it would violate Sections 409A or 457A of the Code (to the extent applicable) and (iii) for any distribution event or election that could be expected to violate Section 409A of the Code, make the distribution only upon the earliest of the first to occur of a "permissible distribution event" within the meaning of Section 409A of the Code or a distribution event that the participant elects in accordance with Section 409A of the Code. The Administrator shall have the sole discretion to interpret the requirements of the Code, including, without limitation, Sections 409A and 457A, for purposes of the Plan and all Awards.

3.5. Change in Control

(a) Change in Control Defined. Unless otherwise set forth in the applicable Award Agreement, for purposes of the Plan, "Change in Control" shall mean the occurrence of any of the following:

(i) any "person" or "group" (within the meaning of Section 13(d)(3) of the 1934 Act), other than Mr. Simeon Palios and entities that he directly or indirectly controls (as defined in Rule 12b-2 under the 1934 Act), acquiring "beneficial ownership" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of twenty-five percent (25%) or more of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company;

(ii) the sale of all or substantially all of the Company's assets in one or more related transactions to a person other than such a sale to a subsidiary of the Company which does not involve a change in the equity holdings of the Company or to Mr. Simeon Palios or entities that he directly or indirectly controls; or

(iii) any merger, consolidation, reorganization or similar event of the Company or any of its subsidiaries, as a result of which the holders of the voting stock of the Company immediately prior to such merger, consolidation, reorganization or similar event do not directly or indirectly hold at least fifty-one percent (51%) of the aggregate voting power of the capital stock of the surviving entity.

Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, for each Award subject to Section 409A of the Code, a Change in Control shall be deemed to have occurred under this Plan with respect to such Award only if a change in the ownership or effective control of the Company or a

change in the ownership of a substantial portion of the assets of the Company shall also be deemed to have occurred under Section 409A of the Code, provided that such limitation shall apply to such Award only to the extent necessary to avoid adverse tax effects under Section 409A of the Code.

(b) Effect of a Change in Control. Unless the Administrator provides otherwise in an Award Agreement, upon the occurrence of a Change in Control:

(i) notwithstanding any other provision of this Plan, any Award then outstanding shall become fully vested and any forfeiture provisions thereon imposed pursuant to the Plan and the applicable Award Agreement shall lapse and any Award in the form of an option or stock appreciation right shall be immediately exercisable;

(ii) to the extent permitted by law and not otherwise limited by the terms of the Plan, the Administrator may, in its sole discretion, amend any Award Agreement in such manner as it deems appropriate;

(iii) a grantee who incurs a termination of employment or consultancy/service relationship for any reason, other than a termination or dismissal "for Cause", concurrent with or within one year following the Change in Control may exercise any outstanding option or stock appreciation right but only to the extent that the grantee was entitled to exercise the Award on the date of his or her termination of employment or consultancy/service relationship, until the earlier of (A) the original expiration date of the Award and (B) the later of (x) the date provided for under the terms of Section 2.4 without reference to this Section 3.5(b)(iii) and (y) the first anniversary of the grantee's termination of employment or consultancy/service relationship.

(c) Miscellaneous. Whenever deemed appropriate by the Administrator, any action referred to in paragraph (b)(ii) of this Section 3.5 may be made conditional upon the consummation of the applicable Change in Control transaction.

3.6. Operation and Conduct of Business

Nothing in the Plan or any Award Agreement shall be construed as limiting or preventing the Company or any Affiliate from taking any action with respect to the operation and conduct of their business that they deem appropriate or in their best interests, including any or all adjustments, recapitalizations, reorganizations, exchanges or other changes in the capital structure of the Company or any Affiliate, any merger or consolidation of the Company or any Affiliate, any issuance of Company shares or other securities or subscription rights, any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or other securities or rights thereof, any dissolution or liquidation of the Company or any Affiliate, any sale or transfer of all or any part of the assets or business of the Company or any Affiliate, or any other corporate act or proceeding, whether of a similar character or otherwise.

3.7. No Rights to Awards

No Key Person or other Person shall have any claim to be granted any Award under the Plan.

3.8. Right of Discharge Reserved

Nothing in the Plan or in any Award Agreement shall confer upon any grantee the right to continue his or her employment with the Company or any Affiliate, his or her consultancy/service relationship with the Company or any Affiliate, or his or her position as a director of the Company or any Affiliate, or affect any right that the Company or any Affiliate may have to terminate such employment or consultancy/service relationship or service as a director.

3.9. Non-Uniform Determinations

The Administrator's determinations and the treatment of Key Persons and grantees and their beneficiaries under the Plan need not be uniform and may be made and determined by the Administrator selectively among Persons who receive, or who are eligible to receive, Awards under the Plan (whether or not such Persons are similarly situated). Without limiting the generality of the foregoing, the Administrator shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Award Agreements, as to (a) the Persons to receive Awards under the Plan, (b) the types of Awards granted under the Plan, (c) the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards and (d) the terms and conditions of Awards.

3.10. Other Payments or Awards

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company from making any award or payment to any Person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

3.11. Headings

Any section, subsection, paragraph or other subdivision headings contained herein are for the purpose of convenience only and are not intended to expand, limit or otherwise define the contents of such subdivisions.

3.12. Effective Date and Term of Plan

(a) Adoption; Stockholder Approval. The Plan was adopted by the Board on May 2, 2011. The Board may, but need not, make the granting of any Awards under the Plan subject to the approval of the Company's stockholders.

(b) Termination of Plan. The Board may terminate the Plan at any time. All Awards made under the Plan prior to its termination shall remain in effect until such Awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreements. No Awards may be granted under the Plan following the tenth anniversary of the date on which the Plan was adopted by the Board.

3.13. Restriction on Issuance of Stock Pursuant to Awards

The Company shall not permit any shares of Common Stock to be issued pursuant to Awards granted under the Plan unless such shares of Common Stock are fully paid and non-assessable under applicable law. Notwithstanding anything to the contrary in the Plan or any Award Agreement, at the time of the exercise of any Award, at the time of vesting of any Award, at the time of payment of shares of Common Stock in exchange for, or in cancellation of, any Award, or at the time of grant of any unrestricted shares under the Plan, the Company and the Administrator may, if either shall deem it necessary or advisable for any reason, require the holder of an Award (a) to represent in writing to the Company that it is the Award holder's then-intention to acquire the shares with respect to which the Award is granted for investment and not with a view to the distribution thereof or (b) to postpone the date of exercise until such time as the Company has available for delivery to the Award holder a prospectus meeting the requirements of all applicable securities laws; and no shares shall be issued or transferred in connection with any Award unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Company and the Administrator. The Company and the Administrator shall have the right to condition any issuance of shares to any Award holder hereunder on such Person's undertaking in writing to comply with such restrictions on the subsequent transfer of such shares as the Company or the Administrator shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and all share certificates delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Company or the Administrator may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, any stock exchange upon which such shares are listed, and any applicable securities or other laws, and certificates representing such shares may contain a legend to reflect any such restrictions. The Administrator may refuse to issue or transfer any shares or other consideration under an Award if it determines that the issuance or transfer of such shares or other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the 1934 Act, and any payment tendered to the Company by a grantee or other Award holder in connection with the exercise of such Award shall be promptly refunded to the relevant grantee or other Award holder. Without limiting the generality of the foregoing, no Award granted under the Plan shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Administrator has determined that any such offer, if made, would be in compliance with all applicable requirements of any applicable securities laws.

3.14. Requirement of Notification of Election Under Section 83(b) of the Code

If an Award recipient, in connection with the acquisition of Company shares under the Plan, makes an election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code), the grantee shall notify the Administrator of such election within ten days of filing notice of the election with the U.S. Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code.

3.15. Severability

If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to the applicable laws or, if it cannot be construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

3.16. Sections 409A and 457A

To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Sections 409A and 457A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, in the event that the Administrator determines that any Award may be subject to Section 409A or 457A of the Code, the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Plan and Award from Sections 409A and 457A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Sections 409A and 457A of the Code and related Department of Treasury guidance and thereby avoid the application of penalty taxes under Sections 409A and 457A of the Code.

3.17. Forfeiture; Clawback

The Administrator may, in its sole discretion, specify in the applicable Award Agreement that any realized gain with respect to options or stock appreciation rights and any realized value with respect to other Awards shall be subject to forfeiture or clawback, in the event of (a) a grantee's breach of any non-competition, non-solicitation, confidentiality or other restrictive covenants with respect to the Company or any Affiliate, (b) a grantee's breach of any employment or consulting agreement with the Company or any Affiliate, (c) a grantee's termination for Cause or (d) a financial restatement that reduces the amount of compensation under the Plan previously awarded to a grantee that would have been earned had results been properly reported.

3.18. No Trust or Fund Created

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and an Award recipient or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or its Affiliate.

3.19. No Fractional Shares

No fractional shares shall be issued or delivered pursuant to the Plan or any Award, and the Administrator shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional shares or whether such fractional shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

3.20. Governing Law

The Plan will be construed and administered in accordance with the laws of the State of New York, without giving effect to principles of conflict of laws.

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Exhibit 4.13

LOAN AGREEMENT,

for an up to
U.S.$15,000,000 Loan

Provided by
EMPORIKI BANK OF GREECE S.A.

to

BIKAR SHIPPING COMPANY INC.,
of Majuro Marshall Islands

Dated 13 September 2011

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THIS AGREEMENT is dated 13 September 2011 and made BETWEEN:

(1) **BIKAR SHIPPING COMPANY INC.,** a company duly incorporated in the Republic of The Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands (the **"Borrower"**); and

(2) **EMPORIKI BANK OF GREECE S.A.,** a company duly incorporated under the laws of Greece, having its registered office at 11, Sofokleous Street, Athens 105 64, Greece in its capacities as lender and swap provider (the **"Bank"**).

AND IT IS HEREBY AGREED as follows:

1. **PURPOSE, DEFINITIONS AND INTERPRETATION**

1.01. (**Purpose**). This Agreement sets out the terms and conditions upon and subject to which it is agreed that the Bank will make available to the Borrower a loan of up to Dollars Fifteen million ($15,000,000) for the purpose of assisting the Borrower to refinance part (up to about 50%) of the Purchase Price of the Vessel.

1.02. (**Definitions**). In this Agreement, unless the context otherwise requires each term or expression defined in the recital of the parties, in this Clause 1.02, in Clauses 8.07, 11.01, 11.06, 11.08 and in Schedule 1, shall have the meaning given to it herein and therein and:

"Account Branch of the Bank" means Emporiki Bank of Greece S.A of 11, Sofokleous Street, Athens 105 64, Greece, at its branch named "LARGE CORPORATES OPERATIONS CENTER" under code 554 at 1 Korai Street, Athens 105 64, Greece (or of such other address as may last have been notified by the Bank to the Borrower) or such other branch of the Bank as may be appointed as Account Branch of the Bank by the Bank for the purposes of this Agreement and includes its successors;

"Administration" has the meaning contained in Clause 1.1.3 of the SM Code;

"Advance" means a portion of the Commitment;

"Agreed Rate" means a rate agreed between the Bank and the Borrower on the basis of which (instead of LIBOR) the interest rate is determined pursuant to Clause 3.01;

"Applicable Accounting Principles" means the most recent and up-to-date US GAAP at any relevant time;

"Approved Charter" means the time charter dated 22 June 2011 between the Borrower as owner and the Approved Charterer in respect of the employment of the Vessel for a period of between about 11 to about 13 months (about means plus/minus 15.days in Approved Charterer's option) at a gross daily hire of $13,250 as amended by addendum no.1 dated 22 June 2011 and as the same may hereinafter be amended and/or supplemented, all rights, title and interest in and to which have been or, as the context may require, will be assigned to the Bank;

"Approved Charterer" means Cargill International S.A of Geneva, Switzerland, having its registered office at Geneva, Switzerland;

"Approved Shipbrokers" means, together, H. Clarkson and Company Ltd of London, England, Arrow Research Ltd. of London, England, Astrup Fearnley A/S of Oslo, Norway, R.S. Platou Shipbrokers of Oslo, Norway, Braemar Seascope Ltd of London, Galbraiths Limited of London, Simpson Spence & Young of London and any other independent firm of shipbrokers nominated by the Borrower and approved by the Bank in its sole discretion;

"Assignment of Charter" has the meaning ascribed thereto in Clause 11.01;

"Assignment of Insurances and Earnings" has the meaning ascribed thereto in Clause 11.01;

"Availability Period" means the period starting on the date hereof and ending on the earlier of:

(i) the date upon which the obligations of the Bank under this Agreement terminate or are terminated or are cancelled in full pursuant to any provision of this Agreement;

(ii) the date on which the whole Commitment has (or - in case that the Commitment has been agreed in Clause 2.03 to be advanced in more than one Advance - all Advances have) been advanced by the Bank to the Borrower; and

(iii) the 19 September 2011;

"Associated Costs" means any additional cost (expressed as a percentage rate per annum) which is necessary to compensate the Bank for the cost of complying with any existing or future reserve asset, special deposit, cash ratio, liquidity or capital adequacy requirements or any other form of banking or monetary control (whether or not having the force of law) from time to time of any central bank or any other relevant fiscal or monetary authority, including (without limitation) any such requirements of the Bank of Greece (as conclusively determined by the Bank);

"Banking Day" means any day on which banks and foreign exchange markets in New York, London, Athens and Piraeus and in each country or place in or at which an act is required to be done under this Agreement in accordance with the usual practice of the Bank, are open for the transaction of business of the nature contemplated in this Agreement;

"Balloon Payment" means, in relation to the Loan, the payment referred to as the "Balloon Payment" in the relevant sub-paragraph of Clause 4.01;

"Bank" means the Bank as specified at the beginning of this Agreement and includes the successors, assignees and transferees of the Bank;

"Basel 2 Accord" means the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement;

"Basel 2 Approach" means either the Standardised Approach or the relevant Internal Ratings Based Approach (each as defined in the Basel 2 Accord) adopted by the Bank (or its holding company) for the purposes of implementing or complying with the Basel 2 Accord;

"Basel 2 Regulation" means (a) any law or regulation implementing the Basel 2 Accord or (b) any Basel 2 Approach adopted by the Bank;

"Borrower" means the Borrower specified in the beginning of this Agreement;

"Capital Adequacy Law" means any law or any regulation (whether or not having the force of law, but, if not having the force of law, with which the Bank or, as the case may be, its holding company habitually complies), including (without limitation) those relating to Taxation, capital adequacy, liquidity, reserve assets, cash ratio deposits and special deposits or other banking or monetary controls or requirements which affect the manner in which the Bank allocates capital resources to its obligations hereunder (including, without limitation, those resulting from the implementation or application of or compliance with the Basel 2 Accord or any Basel 2 Regulation);

"Classification" means, in relation to the Vessel, the highest class available to a vessel of such Vessel's type with a Classification Society;

"Classification Society" means, in relation to the Vessel, American Bureau of Shipping or any classification society which is a member of the International Association of Classification Societies (IACS) (or any successor organisation thereof) or such other classification society which the Bank (in its sole opinion) shall, at the request of the Borrower, have agreed in writing;

"Cash Collateral Account" means a time deposit opened or, as the context may require, to be opened in the name of the Borrower with the Account Branch of the Bank or such other account with any other branch of the Bank, as may be required by and at the discretion of the Bank and maintained pursuant to and for the purposes of Clause 11.06, in the same currency as the Loan and includes any sub-account or time deposit or any renewal thereof and/or sub-deposit thereof or new deposit and/or any other time deposit designated in writing by the Bank to be the Cash Collateral Account for the purposes of this Agreement;

"Cash Collateral Account Pledge" has the meaning ascribed thereto in Clause 11.01;

"Commitment" means the amount, which the Bank agreed to lend to the Borrower under Clause 2.01 as reduced by any relevant term of this Agreement;

"Commitment Letter" means the commitment letter dated 6 July 2011 addressed by the Bank to the Borrower and the Corporate Guarantor and accepted on 18 July 2011;

"Company" has the meaning contained in Clause 1.1.2 of the ISM Code;

"Compliance Date" means 31 December in each calendar year (or such other date as of which the Corporate Guarantor prepares the consolidated financial statements which the Borrower is required to deliver pursuant to Clause 8.01 (a) of this Agreement and which the Guarantor is required to deliver pursuant to clause 5.01(a) of the Guarantee;

"Compliance Certificate" means each certificate received or (as the context may require) to be received by the Bank pursuant to clause 8.07 of this Agreement and clause 5.01 of the Corporate Guarantee in form and substance substantially as per Schedule 3;

"Compulsory Acquisition" means requisition for title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, forfeiture or confiscation for any reason of a vessel by any government or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title;

"Corporate Guarantee" means an irrevocable and unconditional guarantee given or, as the context may require, to be given by a Corporate Guarantor in form and substance satisfactory to the Bank as a security for the Outstanding Indebtedness and any and all other obligations of the Borrower under this Agreement, the Master Swap Agreement and the other Security Documents;

"Corporate Guarantor" means DIANA SHIPPING INC., and/or any other company, corporation or other corporate body acceptable to the Bank, which gave or, as the context may require, shall or may give a Corporate Guarantee;

"Default" means any Event of Default or any event or circumstance which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

"Default Rate" means that rate of interest per annum which is determined in accordance with the provisions of Clause 3.04;

"Designated Person" means the person responsible for the safe operation of the Vessel in accordance with Clause 4 of the ISM Code;

"DIANA SHIPPING INC," means DIANA SHIPPING INC., a company duly incorporated in the Republic of The Marshall Islands and has its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands;

"Document of Compliance" means a valid document of compliance issued for the Company by the Administration in accordance with Clause 13.2 of the ISM Code;

"Documentation under ISM" includes, in relation to the Vessel:

(i) the Document of Compliance (DOC) and Safety Management Certificate issued pursuant to the ISM Code in relation to the Vessel within the periods specified by the ISM Code;

(ii) all other documents and data which are relevant to the ISM Code and its implementation and verification which the Bank may require; and

(iii) any other documents which are prepared or which are otherwise relevant to establish and maintain the Vessel's compliance or the compliance of the Borrower with the ISM Code which the Bank may require.

"Dollars" and "**$**" mean the lawful currency of the United States of America;

"Drawdown Date" means the date on which the Commitment (or, as the case may be, the relevant Advance) shall be made available to the Borrower;

"Drawdown Notice" means a notice substantially in the terms of Schedule 2;

"Document of Compliance" means a valid document of compliance issued for the Company by the Administration in accordance with Clause 13.2 of the ISM Code;

"Earnings" means all earnings of the Vessel whatsoever, both present or future, including all freight, hire and passage moneys, income arising out of pooling or sharing arrangements, compensation payable to the Borrower in the event of requisition of the Vessel for hire, remuneration for salvage and towage services, demurrage and detention moneys, contributions of any nature whatsoever in respect of general average, damages for breach (or payments for variation or termination) of any charterparty or other contract for employment of the Vessel and any other earnings whatsoever due or to become due to the Borrower in respect of the Vessel;

"Earnings Account" means the account opened or, as the context may require to be opened in the name of the Borrower with the Account Branch of the Bank or such other account with any other branch, as may be required by and at the discretion of the Bank, to which (inter alia) all Earnings of the Vessel are to be paid in accordance with Clauses 11.05 and 8.10(b) and includes any sub-accounts thereof and any other account designated in writing by the Bank to be the Earnings Account for the purposes of this Agreement;

"Earnings Account Pledge" has the meaning ascribed thereto in Clause 11.01

"Encumbrance" means a mortgage, charge (whether fixed or floating), or pledge, lien, hypothecation, assignment, trust, security interest or other encumbrance of any kind securing any obligation of any person or any type of preferential arrangement (including without limitation title transfer and/or retention arrangements) having a similar effect;

"Environmental Affiliate" means any agent or employee of the Borrower or any other Relevant Party or any person having a contractual relationship with the Borrower or any other Relevant Party in connection with any Relevant Ship or its operation or the carriage of cargo thereon and/or passengers thereon and/or provision of goods and/or services on or from any Relevant Ship;

"Environmental Approval" means any consent, authorisation, licence or approval of any governmental or public body or authorities or courts applicable to any Relevant Ship or its operation or the carriage of cargo thereon required under any Environmental Law;

"Environmental Claim" means: any and all enforcement, clean up, removal or other governmental or regulatory actions or orders instituted or completed pursuant to any Environmental Law or any Environmental Approval together with claims made by any third party relating to damage, contribution, loss or injury, resulting from any actual or threatened emission, spill, release or discharge of a Material of Environmental Concern;

"Environmental Laws" means any law including without limitation all national, European Union international and state laws, rules, regulations, treaties and conventions pertaining to the pollution or protection of human health or the environment including, without limitation, the carriage of Materials of Environmental Concern and actual or threatened emissions, spills, releases or discharges of Materials of Environmental Concern;

"Event of Default" means any one of those events or circumstances described in Clause 9 or described as such in any other of the Security Documents;

"Expenses" means the aggregate at any time (to the extent that the same have not been received or recovered by the Bank) of:

a) all losses, liabilities, costs, charges, expenses, damages and outgoings of whatever nature, (including, without limitation, Taxes, repair costs, registration fees and insurance premiums, crew wages, repatriation expenses and seamen's pension fund dues) suffered, incurred, charged to or paid or committed to be paid by the Bank in connection with the exercise of the powers referred to in or granted by any of the Security Documents or otherwise payable by the Borrower in accordance with the terms of any of the Security Documents;

b) the expenses referred to in Clause 10.02 (a), (b) and (d) ; and

c) interest on all such losses, liabilities, costs, charges, expenses, damages and outgoings from the date on which the same were suffered, incurred or paid by the Bank until the date of receipt or recovery thereof (whether before or after judgement) at a rate per annum calculated in accordance with Clause 3.04 (as conclusively certified by the Bank);

"Final Maturity Date" means the date falling ten **(10)** years after the Drawdown Date;

"Group" means, together the Corporate Guarantor and its Subsidiaries from time to time (including, for the avoidance of doubt, the Borrower but excluding Diana Containerships Inc. of the Republic of the Marshall Islands and its own Subsidiaries from time to time);

"Guarantee" means the Corporate Guarantee and any guarantee which may at any time secure the obligations of the Borrower to the Bank;

"Guarantor" means the Corporate Guarantor and any other person, which may at any time guarantee the obligations of the Borrower to the Bank;

"Indebtedness" means any obligation for the payment or repayment of money, whether as principal or as surety, whether present or future, actual or contingent;

"Insurances" means in respect of the Vessel all policies and contracts of insurance (including, without limitation, all entries of the Vessel in a protection and indemnity, war risks or other mutual insurance association) which are from time to time in place or taken out or entered into by or for the benefit of the Borrower (whether in the sole name of the Borrower or in the joint names of the Borrower and/or the Manager and/or the Bank) in respect thereof and its Earnings or otherwise howsoever in connection with the Vessel and all rights, benefits and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

"Interest Payment Date" means, in respect of the Loan or any part thereof in respect of which a separate Interest Period is fixed, the last day of the relevant Interest Period and in case of any Interest Period which overruns a three (3) month Interest Period, payment of interest will be made on the last day of such three (3) month period;

"Interest Period" means in relation to the Loan or any part thereof, each period for the calculation of interest in respect of the Loan or such part ascertained in accordance with Clauses 3.02 and 3.03;

"ISPS Code" means the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organization now set out in Chapter XI-2 of the International Convention for the Safety of Life at Sea 1974 (as amended) as adopted by a Diplomatic conference of the International Maritime Organisation on Maritime Security in December 2002 and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

"**ISSC**" means, in relation to the Vessel, an International Ship Security Certifieate issued in respect of the Vessel pursuant to the ISPS Code;

"ISM Code" means:

(a) "The International Management Code for the Safe Operation of Ships and for Pollution Prevention", currently known or referred to as the "ISM Code", adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4 November 1993 and incorporated on 19 May 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974) as it may be amended; and

(b) All further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25 November 1995, as the same may be amended, supplemented or replaced from time to time;

"Lending Branch" means the branch of the Bank "LARGE CORPORATES OPERATIONS CENTER" under code 554 at 1 Korai Street, Athens 105 64, Greece (or of such other address as may last have been notified by the Bank to the Borrower) or such other branch of the Bank as may be appointed as the Lending Branch of the Bank by the Bank for the purposes of this Agreement and includes its successors;

"LIBOR" means in relation to a particular period, the rate for deposits of Dollars for a period equivalent to such period at or about 11 a.m. (London time) on the second Banking Day before the beginning of such period as displayed on Reuters page LIBOR 01 (British Bankers' Association Interest Settlement Rates) (or such other page as may replace such page LIBOR 01 on such system or on any other system of the information vendor for the time being designated by the British Bankers' Association to calculate the BBA Interest Settlement Rate (as defined in the British Bankers' Association's Recommended Terms and Conditions ("BBAIRS" terms) applicable at the relevant time))

(rounded upward if necessary to five decimal places), provided that if on such date no such rate is so displayed LIBOR for such period shall be the rate (rounded upward if necessary to five decimal places) offered to the Bank for deposits of Dollars in an amount approximately equal to the amount in relation to which LIBOR is to be determined for a period equivalent to such period by prime banks in the London Interbank Market at or about 11:00 a.m. (London time) on the second Banking Day prior to the beginning of such period in the London Interbank Market for delivery on the first day of that period and for the number of days comprised therein;

"Loan" means the aggregate principal amount owing to the Bank under this Agreement at any time;

"Manager" means Diana Shipping Set-vices S.A. of Edificio Universal, Piso 12, Avenida Federico Boyd, Panama, Republic of Panama which has established an office in Greece (at 16, Pendelis Str., Palaio Faliro 175 64, Athens, Greece) pursuant to Law 378/68, Law 27/75, Law 814/78 tact Law 2234/94.89/67 as amended and in force, or any other person appointed by the Owner, with the prior written consent of the Bank, as the manager of the Vessel and includes its successors in title and assignees;

"Management Agreement" means the management agreement made or (as the context may require) to be made between the Borrower and the Manager of the Vessel in form and substance acceptable to the Bank, providing for (inter alia) the Manager to carry out the technical and/or commercial management of the Vessel;

"Manager's Undertaking and Assignment of the Manager" means the undertaking and assignment of all the rights which the Manager may have in the Insurances and Earnings relating to the Vessel, to be executed by the Manager in favour of the Bank in form and substance satisfactory to the Bank;

"Margin" means (a) in relation to a part of the Loan equal to the amount standing for the relevant Interest Period to the credit of the Cash Collateral Account pledged in favour of the Bank, one per cent (1%) per annum; and (b) in relation to any other part of the Loan, two point fifty (2.50%) per cent per annum;

"Material of Environmental Concern" means and includes pollutants, contaminants toxic substances, oil as defined in the United States Oil Pollution Act of 1990 and all hazardous substances as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act 1980 and/or the European conventions;

"Master Agreement Security Deed" means a security deed executed or (as the context may require) to be executed by the Borrower in favour of the Swap Provider in relation to certain of the rights of the Borrower under the Master Swap Agreement in the form and substance satisfactory to the Bank;

"Master Swap Agreement" means the agreement made or (as the context may require) to be made between the Bank and the Borrower comprising a 1992 ISDA Master Agreement (Multicurrency-Crossborder) (including the schedule thereto) in form and substance satisfactory to the Swap Provider and includes any Designated Transactions from time to time entered into and any Confirmations (as defined therein) from time to time exchanged thereunder and governed thereby;

"Memorandum of Agreement" (M.O.A.) means the agreement dated 12 May 2011 whereby the Borrower as buyer agreed and bought and Silver Sea Navigation Limited of the Marshall Islands as seller agreed and sold the Vessel in accordance with the terms and conditions contained therein;

"Material of Environmental Concern" means and includes pollutants, contaminants toxic substances, oil as defined in the United States Oil Pollution Act of 1990 and all hazardous substances as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act 1980 and/or the European conventions;

"month" means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started provided that (i) if there is no such numerically corresponding day, it shall end on the last Banking Day in such next calendar month and (ii) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no such Banking Day it shall end on the preceding Banking Day and "months" and "monthly" shall be construed accordingly;

"Mortgage" means the Mortgage on the Vessel defined in Clause 11.01;

"Outstanding Indebtedness" means the aggregate of the Loan and interest accrued and accruing thereon, the Expenses, and all other sums of money from time to time owing by the Borrower to the Bank and/or the Swap Provider, whether actually or contingently under this Agreement, the Master Swap Agreement and the other Security Documents and/or as a result of any breach thereof and/or by way of undue enrichment;

"Owner" means the Borrower;

"Purchase Price" means in respect of the Vessel, the purchase price payable by the Borrower to the seller referred to in the MOA relating to the purchase of the Vessel, being $29,990,000 agreed and paid under the terms and conditions of the MOA;

"Relevant Party" means the Borrower, the Corporate Guarantor and any other member of the Group;

"Relevant Ship" means the Vessel and any other vessel owned by, managed by or chartered to any Relevant Party;

"Repayment Date" means each of the dates specified in Clause 4.01 on which the Repayment Instalments of the Loan and the Balloon Payment shall be payable by the Borrower to the Bank;

"Repayment Instalment" means each instalment of the Loan which becomes due for repayment by the Borrower to the Bank on a Repayment Date pursuant to Clause 4.01;

"Requisition Compensation" means all sums of money or other compensation from time to time payable by reason of requisition of the Vessel otherwise than by requisition for hire;

"Safety Management Certificate" means a valid certificate issued by the Administration or organisation recognised by the Administration and referred to in the ISM Code;

"Safety Management System" means a safety management system which has been developed and implemented in accordance with the ISM Code and which includes the functional requirements, duties and obligations required by the ISM Code;

"Security Documents" means this Agreement, the Master Swap Agreement, the Master Agreement Security Deed, the documents referred to in Clause 11.01 and any other documents as may have been or shall from time to time after the date of this Agreement be executed to guarantee and/or secure all or any part of the Outstanding Indebtedness from time to time owing by the Borrower or any other Security Party pursuant this Agreement, the Master Swap Agreement or any other Security Documents (whether or not any such document also secures moneys from time to time owing pursuant to any other document or agreement);

"Security Party" means each of the Borrower, the Corporate Guarantor and any person (other than the Bank and the Manager) which is or will become a party to any of the Security Documents;

"Security Requirement" means the amount in Dollars (as certified by the Bank whose certificate shall, in the absence of manifest error, be conclusive and binding on the Borrower) which is at any relevant time one hundred and twenty per cent (120%) of the Loan and the Swap Exposure;

"Security Value" means the amount in Dollars which, at any relevant time, is the aggregate of (i)the Vessel's Value of the Vessel as most recently determined in accordance with Clause 8.05(d); (ii) the free cash credit balance of the Cash Collateral Account duly pledged in favour of the Bank; and (iii) the value in Dollars of any additional security for the time being actually provided to the Bank pursuant to Clause 8.05(c) (as certified by the Bank whose certificate shall be conclusive and binding on the Borrower and the Bank but the Borrower shall be allowed to rebut such evidence by any means of evidence admissible by applicable law, except witnesses.);

"**Seller**" means the company which is a party to the MOA as seller of the Vessel;

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

"Swap Provider" means EMPORIKI BANK OF GREECE S.A., of 11, Sofokleous Street, Athens, Greece, through its branch "LARGE CORPORATES OPERATIONS CENTER" under code 554 at 1 Korai Street, Athens 105 64, Greece (or of such other address as may last have been notified by the Bank to the Borrower) or such other branch of the Bank as may be appointed as Swap Provider by the Bank for the purposes of this Agreement and includes its successors;

"Taxes" includes all present and future taxes, levies, imposts, duties, fees or charges of whatever nature together with interest thereon and penalties in respect thereof (except taxes concerning the Bank and imposed on the net income of the Bank) and **"Taxation"** shall be construed accordingly;

"Total Loss" means (a)actual, constructive, compromised or arranged total loss of a vessel; or (b)Compulsory Acquisition of a vessel; or (c)the hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of a vessel (other than where the same amounts to the Compulsory Acquisition of a vessel) by any government entity, or by persons acting or purporting to act on behalf of any government entity, unless such vessel be released and restored to the Borrower from such hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation within sixty (60) days after the occurrence thereof;

"Vessel" means the Panamax bulkcarrier vessel under the name **"ARETHUSA" ex** "CORONA", built 2007 at JIANGNAN SHIPYARD in China, DW 73,593, registered in the name of the Borrower under Greek flag, gross tonnage 40224, International Call Sign SVBJ3, IMO number 9318591, (**"ARETHUSA"**);

"Vessel's Value" means, in respect of the Vessel, the market value of such Vessel as determined in accordance with Clause 8.05(b).

1.03. (**Interpretation**). In this Agreement:

a) Clause headings and the table of contents are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

b) Each of the terms defined in Clause 1.02 when used in plural and terms defined in plural or words used in plural (and unless in the specific clause or sentence is otherwise expressly specified) mean all of them collectively and/or each of them and/or anyone of them (even if this is not expressly so spelled out) as the context may require or permit.

c) Subject to any specific provision of this Agreement or of any assignment and/or participation or syndication agreement of any nature whatsoever, reference to each of the parties hereto and to the other Security Documents shall be deemed to be reference to and/or to include, as appropriate, their respective successors and permitted assigns.

d) Reference to a person shall be construed as including reference to an individual, firm, company, corporation, unincorporated body of persons or any State or any agency thereof.

e) Where the context so admits, words in the singular include the plural and vice versa.

f) The words "including" and "in particular" shall not be construed as limiting the generality of any foregoing words.

g) This Agreement and all documents referred to in this Agreement include the same as varied or supplemented from time to time.

h) Reference to this Agreement includes all the terms of this Agreement and any Schedules, Annexes or Appendices to this Agreement, which form an integral part of this Agreement.

i) Unless otherwise stated in respect of the Master Swap Agreement, reference to Clauses, Sub-Clauses and Schedules are to Clauses, Sub-Clauses and Schedules in this Agreement.

j) All obligations imposed on, or assumed by the Borrower and the Guarantors are joint and several even if not so expressed.

Reference to the opinion of the Bank or a determination or acceptance by the Bank or to documents, acts, or persons acceptable or satisfactory to the Bank or the like shall be construed as reference to opinion, determination, acceptance or satisfaction of the Bank at the sole discretion of the Bank and such opinion, determination, acceptance or satisfaction of the Bank shall be conclusive and binding on the Borrower (even if not expressly so spelled out in the particular clause) save for manifest error in respect of which the Borrower shall have the burden of proof.

2. **THE LOAN**

2.01. (**Commitment to Lend**). Relying upon each of the representations and warranties in Clause 6 and in each of the other Security Documents, it is hereby agreed and undertaken by the Bank to lend the Borrower, upon and subject to the terms of this Agreement, a sum of up to Dollars Fifteen million (US$ 15,000,000) to be used for the purpose set out in Clause 1.01.

2.02. (**Drawdown Notice and Commitment to Borrow**). Subject to the terms and conditions of this Agreement, the Commitment (or -in case that the Commitment has been agreed in Clause 2.03 to be advanced in more than one advance - each Advance) shall be advanced to the Borrower following receipt by the Bank from the Borrower of a Drawdown Notice not later than 10 a.m. (London time) on the second Banking Day before the date on which the drawdown is intended to be made. A Drawdown Notice shall be effective on actual receipt by the Bank and, once given, shall be irrevocable.

2.03. (**Number of Advances Agreed**). The Commitment shall be advanced to the Borrower in one lump sum on the Drawdown Date, subject to the terms and conditions of this Agreement and provided that the Conditions Precedent set out in Clause 7 shall have been complied with by the Borrower and the Security Documents referred to in Clause 11.01 shall have been duly executed and delivered to the Bank and, where required, registered in favour of the Bank.

2.04. (**Disbursement**). Upon receipt of the Drawdown Notice complying with the terms of this Agreement the Bank shall, subject to the provisions of Clause 7, on the date specified in the Drawdown Notice, make the Commitment (for - in case that the Commitment has been agreed in Clause 2.03 to be advanced in more than one advance - the relevant Advance) available to the Borrower.

2.05. (**Termination Date**). Any part of the Commitment undrawn and uncancelled at the end of the Availability Period shall thereupon be automatically cancelled.

2.06. (**Cancellation**). The Borrower shall be entitled to cancel any undrawn part of the Commitment under this Agreement upon giving the Bank not less than three (3) Banking Days' notice in writing to that effect, provided that no Drawdown Notice has been given to the Bank under Clause 2.02 for the full amount of the Commitment or in respect of the portion thereof in respect of which cancellation is required by the Borrower. Any such notice of cancellation, once given, shall be irrevocable. Any amount cancelled may not be drawn. Notwithstanding any such cancellation pursuant to this Clause 2.06 the Borrower shall continue to be liable for any and all amounts due to the Bank under this Agreement including without limitation any amounts due to the Bank under Clause 10.

2.07. (**Loan Account**). All sums advanced by the Bank to the Borrower under this Agreement and all interest accrued thereon and all other amounts due under this Agreement from time to time and all repayments and/or payments thereof shall be debited and credited respectively to a separate loan account maintained by the Bank in the name of the Borrower. The Bank may, however, in accordance with its usual practices or for its accounting needs, maintain more than one accounts, consolidate or separate them but all such accounts shall be considered parts of one single loan account maintained under this Agreement. In case that a ship mortgage in the form of Account Current is granted as security under this Agreement, the account(s) referred to in this Clause shall be the Account Current referred to in the mortgage.

2.08. (**Evidence**). It is hereby expressly agreed and admitted by the Borrower that abstracts or photocopies or other reproductions of the books and/or records of the Bank as well as statements of the loan account or other accounts held with the Bank under this Agreement or a certificate issued by the Bank (**"Bank's Evidence"**) shall be conclusive binding and full evidence on the Borrower as to the existence and/or the amount of the at any time Outstanding Indebtedness, of any amount due under this Agreement and/or the Master Swap Agreement, of the applicable Interest Rate or Default Rate or any other rate provided for or referred to in this Agreement, the Interest Period, the value of additional

securities under Clause 8.05(c), the payment or non payment of any amount and/or the occurrence of any other Event of Default but the Borrower shall be allowed to rebut such evidence by any means of evidence admissible by applicable law, except witnesses. Notwithstanding the above provision relating to the right of the Borrower to rebut the evidence, enforcement proceedings /procedure or any other Court or out-of-court procedure can be initiated by the Bank on the basis of the above Bank's Evidence.

3. **INTEREST**

3.01. (**Interest Rate**). The Borrower shall pay interest on the Loan (or as the case may be, each portion thereof to which a different Interest Period relates) in respect of each Interest Period (or part thereof) on each Interest Payment Date. The interest rate for the calculation of interest shall be the rate per annum determined by the Bank to be: (a)the aggregate of (i)the Margin, (ii)LIBOR and (iii)the Associated Costs (if any), unless there is an Agreed Rate, in which case the interest rate for the calculation of interest shall be the rate per annum determined by the Bank to be the aggregate of (i)the Margin (ii)the Agreed Rate and (iii)the Associated Costs (if any).

3.02. (**Interest Period**). The Borrower may by notice received by the Bank not later than 10 a.m. (London time) on the second Banking Day before the beginning of each Interest Period specify (subject to Clause 3.03 below) whether such Interest Period shall have a duration of one (1), three (3) or six (6) months (or such other period as may be requested by the Borrower and as the Bank, in its sole discretion, may agree).

3.03. (**Duration of Interest Period**). Every Interest Period shall, subject to market availability to be conclusively determined by the Bank, be of the duration specified by the Borrower pursuant to Clause 3.02 but so that:

a) the initial Interest Period in respect of the Loan (or - in case that the Commitment is agreed to be advanced in more than one advance - of each Advance) will commence on the date on which the Commitment (or - as the case may be - the relevant Advance) is advanced and each subsequent Interest Period will commence forthwith upon the expiry of the previous Interest Period;

b) in case that the Commitment is advanced by more than one advance, the initial Interest Period in respect of each Advance after the first Advance shall end on the same day as the then current Interest Period for the Loan;

c) if any Interest Period would otherwise overrun one or more Repayment Dates, then, in the case of the last Repayment Date, such Interest Period shall end on such Repayment Date, and in the case of any other Repayment Date or Dates the Loan shall be divided into parts so that there is one part equal to the amount(s) of the Repayment Instalment(s) due (in the currency in which the same is due) on each Repayment Date falling during that Interest Period and having an Interest Period ending on the relevant Repayment Date and another part equal to the amount of the balance of the Loan having an Interest Period determined in accordance with Clause 3.02 and the other provisions of this Clause 3.03;

d) in case of failure of the Borrower to specify the duration of an Interest Period in accordance with the provisions of Clause 3.02 and this Clause 3.03, such Interest Period shall have a duration of three (3) months unless another period shall be agreed between the Bank and the Borrower provided always that such period (whether of three (3) months or of different duration) shall comply with this Clause 3.03; and

e) if the Bank determines that the duration of an Interest Period specified by the Borrower in accordance with Clause 3.02 is not readily available, then that Interest Period shall have such duration as the Bank, in consultation with the Borrower, may determine.

3.04. (**Default Interest**). In case of failure of the Borrower to pay any sum (including, without limitation, any sum payable pursuant to this Clause 3.04) on its due date for payment under any of the Security Documents (other than the Master Swap Agreement),, the Borrower shall pay interest on such sum from the due date up to the date of actual payment (as well after as before judgment) at the rate determined by the Bank pursuant to this Clause 3.04. The period beginning on such due date and ending on such date of payment shall be divided into successive periods of not more than three (3)

months as selected by the Bank each of which (other than the first, which shall commence on such due date) shall commence on the last day of the preceding such period. The rate of interest applicable to each such period shall be the aggregate (as determined by the Bank) of (i)two point fifty per cent (2.50%) or any other higher percentage which may from time to time be permitted by the applicable legislation per annum, (ii)the Margin, (iii)LIBOR and (iv)the Associated Costs (if any). Such interest shall be due and payable on the last day of each such period as determined by the Bank and each such day shall, for the purposes of this Agreement, be treated as an Interest Payment Date. In case that a payment is made in default for any amount, the Interest Periods will be determined by the Bank at its discretion including the amounts for which there is no default, even if the Bank has not (yet) exercised its rights pursuant to Clause 9.08(b) of the Agreement. If for the reasons specified in Clause 3.06, the Bank is unable to determine a rate in accordance with the foregoing provisions of this Clause 3.04, interest on any sum not paid on its due date for payment shall be calculated at a rate determined by the Bank to be two point fifty per cent (2.50%) per annum above the aggregate of the Margin and costs of funds including the Associated Costs (if any) to the Bank as conclusively determined by the Bank save for manifest error. Any interest which is not paid on the Interest Payment Date shall be compounded on a semiannual basis.

3.05. (**Notification of Interest**). The Bank shall notify the Borrower promptly of the duration of each Interest Period and of each rate of interest determined by it under this Clause 3 without prejudice to the right of the Bank to make determination at its sole discretion. In the event that the Bank fails to notify the Borrower as above, such failure will not affect the validity of the determination of the Interest Period and the Interest Rate made pursuant to Clause 3.

3.06. (**Market Disruption**). If the Bank (in its sole discretion) determines prior to the commencement of any Interest Period:

(a) that adequate and fair means do not exist for ascertaining LIBOR (during such Interest Period) or

(b) that deposits in Dollars are not available to the Bank in the London Interbank Market in the ordinary course of business in sufficient amounts for any Interest Period or

(c) that the cost to the Bank of obtaining or matching deposits for any Interest Period would be in excess of LIBOR or

(d) that by reason of circumstances affecting the London Interbank Market generally it is impracticable for the Bank to advance the Commitment or any part thereof or fund or continue to fund the Loan during any Interest Period or

(e) that LIBOR for that Interest Period will not adequately reflect the cost of funding of the Loan for that Interest Period, the Bank shall give notice (the "**Determination Notice"**) to the Borrower of the occurrence of such event and shall certify the duration of the Interest Period and the rate of interest determined by the Bank for such Interest Period, which shall be the rate per annum which is the aggregate of (i)the Margin, (ii)the rate which expresses as a percentage rate per annum the cost to the Bank of funding the Loan from whatever source it may reasonably select and (iii) the Associated Costs;

PROVIDED THAT if the resulting rate of interest is not acceptable to the Borrower the Bank will negotiate with the Borrower in good faith with a view to modifying this Agreement to provide a substitute basis for determining the rate of interest which is financially a substantial equivalent to the basis provided for in this Agreement. Any substitute basis agreed pursuant to the previous sub-clause shall be binding on the parties to this Agreement.

If within ten (10) days of the giving of the Determination Notice, the Borrower and the Bank fail to agree in writing on a substitute basis for determining the rate of interest, the Borrower will immediately prepay the Loan together with accrued interest thereon to the date of prepayment (calculated at the rate or rates most lately applicable to the Loan) and all other sums payable by the Borrower under the Security Documents and the Commitment shall be reduced to zero. In such case the Borrower shall also reimburse to the Bank such amount as may be determined by the Bank to be necessary to compensate it for the increased cost (if any) of maintaining the Loan during the period of negotiation referred to in this Clause 3.06 until such prepayment. In case that the circumstances provided in this Clause 3.06

arise prior to the drawdown of the Commitment or any part thereof and the Borrower do not accept the Bank's determination immediately, the undrawn Commitment or part thereof shall be reduced to zero.

3.07. (**Suspension of drawdown**). If the Bank's Determination Notice under Clause 3.06 is served before the Commitment is made, the Bank's obligation to make that the Commitment shall be suspended while the circumstances referred to in the Bank's notice continue.

4. REPAYMENT - PREPAYMENT

4.01. (**Repayment**). The Borrower shall repay the Loan by (a) twenty (20) equal consecutive semiannual Repayment Instalments of Dollars Five hundred thousand ($ 500,000), one such instalment to be repaid on each of the Repayment Dates; and (b) a Balloon Payment in the amount of Five million Dollars ($5,000,000), such Balloon Payment to be repaid together with the twentieth Repayment Instalment; provided that (a)the first Repayment Instalment shall be repaid six (6) months after the Drawdown Date of the Commitment (or as the case may be-the last Advance) and each of the subsequent ones consecutively on each of the dates falling six (6) months after the immediately preceding Repayment Date relating, (b)if the last Repayment Date would otherwise fall after the Final Maturity Date, the final Repayment Date shall be the Final Maturity Date, (c)there shall be no Repayment Dates after the Final Maturity Date and (d)any and all amounts owing under this Agreement shall be paid in full together with the last Repayment Instalment. In the event that the Commitment will not be advanced in full, then the amount of each of the Repayment Instalments and the Balloon Payment shall be reduced pro-rata. Any such reduction in the amounts of the Repayment Instalments shall be conclusively certified by the Bank in writing to the Borrower.

4.02. (**Voluntary Prepayment**). The Borrower shall have the right, upon giving the Bank not less than ten (10) Banking Days' notice in writing, to prepay part or all of the Loan in each case together with all unpaid interest accrued thereon and all other sums of money whatsoever due and owing from the Borrower to the Bank hereunder or pursuant to the other Security Documents and all interest accrued thereon, provided that:

(a) The giving of such notice by the Borrower will irrevocably commit the Borrower to prepay such amount as stated in such notice;

(b) Such prepayment may take place only on the last day of an Interest Period relating to the whole of the Loan provided, however, that if the Borrower shall request consent to make such prepayment on another day and the Bank shall accede to such request (it being in the sole discretion of the Bank to decide whether or not to do so) the Borrower will pay in addition to the amount to be prepaid, any such sum as may be payable to the Bank pursuant to Clause 10.01 and any costs from unwinding of any then existing hedging transactions;

(c) Each partial prepayment shall be equal to Dollars Five Hundred Thousand ($500,000) or higher integral multiple thereof or the balance of the Loan;

(d) Every notice of prepayment shall be effective only on actual receipt by the Bank, shall be irrevocable and shall oblige the Borrower to make such prepayment on the date specified;

(e) No amount prepaid may be re-borrowed; and

(f) The Borrower may not prepay the Loan or any part thereof save as expressly provided in this Agreement.

4.03. (**Compulsory Prepayment in ease of Total Loss**). (a) Unless the Bank agrees to accept substitute security in form and substance satisfactory to the Bank, the Borrower shall, on the earlier of the date of receipt by the Bank of the insurance proceeds or the date falling one hundred twenty (120) days as of date of the Vessel becoming a Total Loss, prepay the Loan together with accrued interest to the date of prepayment and all other sums payable by the Borrower to the Bank pursuant to this Agreement, the Master Swap Agreement and the other Security Documents (and if any portion of the Commitment has not been drawn yet, the obligation of the Bank to advance the Commitment will cease) and for the purposes of this Clause:

(b) For the purposes of this Clause 4.03:

(i) an actual total loss of a vessel shall be deemed to have occurred at the actual date and time when such vessel was lost but in the event of the date of the loss is unknown then the actual total loss shall be deemed to have occurred on the date on which such vessel was last reported;

(ii) a constructive total loss shall be deemed to have occurred at the date and time notice of abandonment of a vessel is given to the insurers of such vessel;

(iii) a compromised or arranged total loss shall be deemed to have occurred on the date on which a binding agreement as to such compromised or arranged total loss has been entered into by the insurers of a vessel provided that the Borrower are not entitled to agree any compromise or arranged total loss without the prior written consent of the Bank;

(iv) Compulsory Acquisition of a vessel shall be deemed to have occurred on the date upon which the relevant Compulsory Acquisition occurs;

(v) hijacking, theft, condemnation, capture, seizure, detention, arrest, or confiscation of a vessel (other than where the same amounts to Compulsory Acquisition of such vessel) by any government or governmental entity or by any person acting or purporting to act on behalf of any government or governmental entity, which deprives the Owner of the Vessel of the use of the Vessel for more than sixty (60) days, upon the expiry of the period of sixty (60) days after the date upon which the relevant hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation occurred.

4.04. (**Compulsory Prepayment in case of sale of the Vessel**).In case of sale or other disposal of the Vessel (always subject to the prior written consent of the Bank) or in any other case where the Borrower requests Bank's consent for the discharge of the Mortgage, the Borrower shall, prior to or simultaneously with Bank's consent to the release of the Mortgage, prepay the Loan together with accrued interest to the date of prepayment, Expenses and all other sums payable by the Borrower to the Bank pursuant to this Agreement, the Master Swap Agreement and the other Security Documents.

4.05. (**Application of Prepayment**). Any prepayment received under clause 4.02 of less than the whole of the Loan will be applied towards the Repayment Instalments (including the Balloon Payment) pro rata or in inverse or in on coming order of maturity at Borrower's option.

4.06. (**Fees**).

(a) (**Front End Fee**). The Borrower shall pay to the Bank a flat fee of Dollars Forty five thousand ($45,000) and is due and payable on the date of this Agreement; and

(b) (**Commitment Fee**). The Borrower shall pay to the Bank a fee of zero point fifty per cent (0.50%) per annum on the Commitment or any undrawn and/or uncancelled part thereof. The Commitment fee shall be computed from the date of acceptance of the Commitment Letter on the daily undrawn and/or uncancelled amount of the Commitment and it is payable quarterly in arrears until the date on which the whole Commitment has been advanced to the Borrower or until the drawdown of the Commitment is cancelled pursuant to the terms of this Agreement, whichever is the earliest.

The fees referred to in this clause 4.06 shall be payable by the Borrower to the Bank whether or not any part of the Commitment is ever advanced and shall be, in each case, non- refundable.

5. **PAYMENTS, TAXES AND COMPUTATION**

5.01. (**Payment**).

(a) All moneys to be paid by the Borrower under the Agreement and the other Security Documents shall be paid to the Bank as follows:

(i) by not later than 11.00 a.m. (New York time) on the due date; and

(ii) in same day immediately available Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Bank shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement);.

5.02. (**Payments on Banking Days**). All payments due shall be made on a Banking Day. If the due date for payment falls on a day which is not a Banking Day, the payment or payments due shall be made on the first Banking Day thereafter, provided that this falls in the same calendar month. If it does not, payments shall fall due and be made on the last Banking Day before the said due date.

5.03. (**No set-off or counterclaim — No withholdings**). The Borrower acknowledges that in performing its obligations under this Agreement, the Bank will be incurring liabilities to third parties in relation to the funding of amounts to the Borrower, such liabilities matching the liabilities of the Borrower to the Bank and that it is reasonable for the Bank to be entitled to receive payments from the Borrower on the due date in order that the Bank is put in a position to perform its matching obligations to the relevant third parties. All payments to be made by the Borrower under any of the Security Documents shall be made in full, without set-off or counterclaim whatsoever, and free and clear of, and without withholding or deduction for or on account of, Taxes or withholdings and any restrictions or conditions resulting in any charge whatsoever imposed, either now or hereafter, by any sovereign state or by any political sub-division or taxing authority of any sovereign state (collectively referred to below as **"Governmental Withholdings"**).

5.04. (**Gross Up**). If, notwithstanding Clause 5.03, at any time any law, regulation, regulatory requirement or requirement of any governmental authority, monetary agency, central bank or the like compels the Borrower to make payment subject to Governmental Withholdings, or any other deduction or withholding, the Borrower shall pay to the Bank such additional amounts as may be necessary to ensure that there will be received by the Bank a net amount equal to the full amount which would have been received had payment not been made subject to such Governmental Withholdings or other deduction or withholding. The Borrower shall indemnify the Bank against any losses or costs incurred by the Bank by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrower shall, not later than thirty (30) days after each deduction, withholding or payment of any Governmental Withholdings, forward to the Bank official receipts and any other documentary receipts and any other documentary evidence reasonably required by the Bank in respect of the payment of any Governmental Withholdings. The obligations of the Borrower under this provision shall, subject to applicable law, remain in force notwithstanding the repayment of the Loan and the payment of all interest due thereon pursuant to the provisions of this Agreement.

5.05. (**Computation**). All interest and other payments periodic or payable by reference to a rate per annum under this Agreement shall accrue from day to day and be calculated on the basis of actual number of days elapsed and a 360 day year.

6. **REPRESENTATIONS AND WARRANTIES**

This Agreement is entered into by the Bank in reliance upon the following representations and warranties made by the Borrower and it is hereby represented and warranted by the Borrower that the following matters are true at the date of this Agreement, and covenant that they shall remain true so long as there is any Outstanding Indebtedness.

6.01. **Representations concerning the Security Parties.**

a) (**Due Incorporation/Valid Existence**) the Borrower, any other corporate Security Party and the Manager are incorporated and duly organised and validly existing and in good standing under the laws of their respective countries of incorporation and any other laws which are applicable to them, with power to own their property and assets, to carry on their business as the same is now being lawfully conducted and to purchase, own, finance and operate vessels, or manage vessels as the case may be as well as to undertake the obligations which have undertaken pursuant to the Security Documents;

b) (**Due Authority**) the entry into and performance of this Agreement and all the other Security Documents, the Approved Charter and the Memorandum of Agreement are within the corporate powers of the Borrower, any other corporate Security Party and the Manager and have been duly authorised by all corporate, shareholders' and other necessary action required for the authorization and do not and would not contravene or result in breach of any applicable law, regulation, rule, judgment, decree or permit or contractual restriction which does, or may, bind any one or more of them or their shareholders or their Subsidiaries, or the documents defining the respective constitutions of any of them and do not and will not result in the creation or imposition of any security interest, lien, charge, or Encumbrance on any of their assets or those of any of their Subsidiaries in favour of any party other than the Bank;

c) (**No Default/ or litigation**) neither the Borrower nor any other Security Party or any other member of the Group is in default under this Agreement or any other agreement to which it is a party or by which it may be bound and no litigation, arbitration, tax claim or administrative proceeding is current or pending or (to its or its officers' knowledge) threatened, which, if adversely determined, would have a materially detrimental effect on the business assets or the financial condition of any of them;

d) (**Financial Information**) all information, accounts, statements of financial position, exhibits and reports furnished by or on behalf of any Security Party to the Bank in connection with the negotiation and preparation of this Agreement and each of the other Security Documents are true and accurate in all material respects and not misleading, do not omit material facts and all reasonable enquiries have been made to verify the facts and statements contained therein; there are no other facts the omission of which would make any fact or statement therein misleading and, in the case of accounts and statements of financial position, they have been prepared in accordance with Applicable Accounting Principles which have been consistently applied;

e) (**Financial Condition**) the financial condition of the Borrower, any other Security Party and the Manager has not suffered any material deterioration since that condition was last disclosed to the Bank;

f) (**No Immunity**) neither the Borrower nor any other Security Party or any of their respective assets are entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgment, execution or other enforcement);

g) (**Shipping Company**) the Borrower is and/or on the drawdown of the Commitment, will be a shipping company involved in the owning or managing of ships engaged in international voyagesand earning profits in free foreign currency;

h) (**Commercial Benefit of the Corporate Guarantor**) the giving of the Guarantee by the Corporate Guarantor is to its best commercial benefit in that the Borrower is a wholly owned direct Subsidiary of the Corporate Guarantor and in that the Corporate Guarantor belongs to the same Group of companies as the Borrower and has close financial cooperation and mutual assistance with the Borrower and by lending its support to the Borrower through such guarantee it furthers its own business interests within the scope of its constitutional documents;

i) (**No established place of business in the United Kingdom or United States**) none of the Security Parties has, nor will any of them have during the term of the Loan, an established place of business in the United Kingdom or the United States of America;

j) (**Acting for its own account**) the Borrower, by entering into this Agreement, the Master Swap Agreement and the Security Documents, is acting on its own behalf and for its own account;

k) (**Information during negotiations**) all information furnished to the Bank during the negotiations of this Agreement is true and accurate;

l) (**No money laundering**) without prejudice to the generality of Clause 1.02, in relation to the borrowing by the Borrower of the Loan, the performance and discharge of its obligations and liabilities under the Security Documents, and the transactions and other arrangements effected or contemplated by the Security Documents to which the Borrower is a party, the Borrower confirms that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities);

m) (**Shareholdings**)

(i) the Borrower is a wholly-owned direct Subsidiary of the Corporate Guarantor;

(ii) all of the issued shares in the Manager are legally and beneficially owned by the Corporate Guarantor;

(iii) the aggregate number of shares of common stock that the Corporate Guarantor is authorised to issue is 200 million registered shares each of a par value of one cent (US$ 0.1) and the Corporate Guarantor is authorized to issue 25 million preferred shares each of a par value of one cent (US$ 0.1) which are publicly listed and traded permanently on the New York Stock Exchange (NYSE), out of which 82,573,508 common registered shares and nonepreferred registered shares have been issued and are fully paid up;

(iv) to the best of its knowledge and belief (having made due and careful enquiry), no person, or persons acting in concert (other than any financial institution acting as a passive investor), are the legal or ultimate beneficial owners of a higher percentage of the total issued share capital of the Corporate Guarantor, than the percentage of the total issued share capital of the Corporate Guarantor, beneficially owned by Mr Simeon Palios; and

(iv) Mr. Simeon Palios is the Chief Executive Officer, the Chairman and a member of the board of directors of the Corporate Guarantor

n) (Solvency)

(i) neither the Borrower nor any other Relevant Party is unable, or admits or has admitted its inability, to pay its debts or has suspended making payments on any of its debts;

(ii) neither the Borrower nor any other Relevant Party by reason of actual or anticipated financial difficulties has commenced, or intends to commence, negotiations with one or more of its creditors with a view to rescheduling any of its Indebtedness;

(iii) the value of the assets of the Borrower and the other Relevant Parties is not less than their respective liabilities (taking into account contingent and prospective liabilities); and

(iv) no moratorium has been, or may, in the reasonably foreseeable future be, declared in respect of any Indebtedness of the Borrower or any other Relevant Party.

6.02. **Representations concerning the Security Documents.**

a) (**Licences/Authorization**) all licences, authorizations, consents or approvals necessary for the execution, validity, enforceability or admissibility in evidence of the Security Documents and all other documents executed or to be executed in connection therewith, have been obtained and complied with by the Borrower and any other Security Party;

b) (**Perfected Securities)** when duly executed, the Security Documents will create a perfected security interest in favour of the Bank, with the intended priority, in the assets and revenues intended to be covered, valid and enforceable against the Borrower, and any other Security Party;

c) (**No Notarisation/Filing/Recording**) save for the registration of any mortgage in the appropriate shipping registry, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of this Agreement or any of the Security Documents that it or they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere or that any stamp, registration or similar tax or charge be paid on or in relation to this Agreement or the Security Documents;

d) (**No Taxes**) no Taxes are imposed by deduction, withholding or otherwise on any payment to be made by any Security Party under this Agreement and/or any other of the Security Documents or are imposed on or by virtue of the execution or delivery of this Agreement and/or any other of the Security Documents or any document or instrument to be executed or delivered hereunder or thereunder. In case that any Tax exists now or will be imposed in the future, it will be borne by the Borrower;

e) (**Validity and Binding effect**) the Security Documents are (or upon their execution - and in the case of any mortgage upon its registration at the appropriate registry - will be) valid and binding and enforceable against the Borrower, all the other Security Parties and the Manager in accordance with their respective terms and conditions, and that there are no other agreements or arrangements which may adversely affect or conflict with the Security Documents or the security they create;

f) (**Pari passu**) the obligations imposed on the Borrower and any other Security Party by the Security Documents do and will constitute direct general and unconditional obligations of the Borrower and rank at least pari passu with all other present and future unsecured and unsubordinated Indebtedness of the Borrower with the exception of any obligations which are mandatorily preferred by law and not by contract;

g) (**Valid choice of Law**) the choice of law agreed to govern this Agreement and/or any other Security Document and the submission to the jurisdiction of the courts agreed in each of the Security Documents are or will be, on execution of the respective Security Documents, valid and binding on the Borrower and any other Security Party which is party thereto;

h) (**Subordinated indebtedness**) any Indebtedness of the Borrower or the Corporate Guarantor owing to any of its respective shareholders or other members of the Group is subordinated in all

respects to the Borrower's obligations under this Agreement and the Master Swap Agreement (in the case of the Borrower) and to the Corporate Guarantor's obligations under the Corporate Guarantee (in the case of the Corporate Guarantor);

6.03. **Environmental Representation.**

a) Except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Bank:

i. The provisions of all Environmental Laws, have been complied with by the Borrower, the other Relevant Parties and (to the best knowledge and belief of the Borrower) by their respective Environmental Affiliates;

ii. all Environmental Approvals have been obtained and are complied with by the Borrower, the other Relevant Parties and (to the best knowledge and belief of the Borrower) by their respective Environmental Affiliates; and

iii. Neither the Borrower nor any other Relevant Party nor (to the best knowledge and belief of the Borrower) any of their respective Environmental Affiliates has received notice of any Environmental Claim that any Relevant Party or any such Environmental Affiliate is not in compliance with any Environmental Law or any Environmental Approval;

b) except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Bank there is no Environmental Claim pending or, (to the best knowledge and belief of the Borrower), threatened against the Borrower or the Vessel or any other Relevant Party or any other Relevant Ship or (to the best of knowledge and belief of the Borrower) any of their respective Environmental Affiliates;

c) except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing, by the Bank there has been no emission, spill, release or discharge of a material of environmental concern from the Vessel or any other Relevant Ship owned by, managed by or chartered to the Borrower (or the Corporate Guarantor) nor (to the best of knowledge and belief of the Borrower) from any other Relevant Ship owned by, managed by or chartered to, any other Relevant Party which could give rise to any Environmental Claim.

6.04. **Representations concerning the Vessel.**

a) (**Ownership/ Flag/ Seaworthiness/ Class/ Insurance**) the Vessel is and on the Drawdown Date, will be:

i. in the absolute and (save for any mortgage in favour of the Bank) unencumbered ownership of its Owner;

ii. registered with a registry and under Greek flag in the name of its Owner;

iii. operationally seaworthy and in every way fit for service;

iv. classed with a Classification Society which has been approved by the Bank in writing and the Classification is and will be free of all requirements, recommendations or notations save for the notations which, at the sole discretion of the Bank, do not affect the Classification; and

v. insured in accordance with the provisions of this Agreement;

b) (**No Charter**) save for the Approved Charter and unless otherwise permitted in writing by the Bank, the Vessel will on the drawdown of the Commitment (or as the case may be of each

Advance) be subject to no charter or contract of affreightment nor to any agreement to enter into any charter or contract which, if entered into after the drawdown of the Commitment (or as the case may be of any Advance) would have required the consent of the Bank under any of the Security Documents and on the drawdown of the Commitment (or as the case may be of any Advance) there will not be any agreement or arrangement whereby the Earnings of the Vessel, may be shared with any other person;

c) (**No Encumbrances**) neither the Vessel, nor its Earnings, Requisition Compensation or Insurances nor any part thereof will, on the drawdown of the Commitment (or as the case may be of any Advance), be subject to any Encumbrances other than Encumbrances in favour of the Bank,

d) (**DOC and SMC**) on the Drawdown Date of the Commitment, the Manager will have a DOC for itself and an SMC in respect of the Vessel; and

e) (**ISPS Code**) on the Drawdown Date of the Commitment, the Borrower shall have a valid and current ISSC in respect of the Vessel and such Ship shall be in compliance with the ISPS Code.

6.05. **Representations concerning newly purchased vessels.**

(a) (**MOA Valid**) the copy of the Memorandum of Agreement is true and complete copy of such document constituting valid and binding obligations of the parties thereto enforceable in accordance with its terms and no amendments thereto or variations thereof have been agreed nor has any action been taken by the parties thereto which would in any way render such document inoperative or unenforceable;

(b) (**Management Agreement Valid**) the copy of the Management Agreement is true and complete copy of such document constituting valid and binding obligations of the parties thereto enforceable in accordance with their terms and no amendments thereto or variations thereof have been (or will be) agreed nor has any action been taken by the parties thereto which would in any way render such document inoperative or unenforceable;

(c) (**Approved Charter Valid**) the copy of the Approved Charter to be delivered to the Bank is or, as the context may require, will be true and complete copy of such document constituting valid and binding obligations of the parties thereto enforceable in accordance with its terms and no amendments thereto or variations thereof have been (or will be) agreed nor has any action been taken by the parties thereto which would in any way render such document inoperative or unenforceable;

6.06. **Representations Correct.**

(a) At the time of entering into this Agreement all above representations and warranties or any other information given by the Borrower and/or the Corporate Guarantor. to the Bank are true and accurate and there has not occurred and/or is continuing any Event of Default or any event which would constitute an Event of Default with the-passage of time or the giving of notice or both;

(b) On and as of the Drawdown Date and on each Interest Payment Date, the Borrower shall (a)be deemed to repeat the representations and warranties in Clauses 6.01 - 6.05 (inclusive) as if made with reference to the facts and circumstances existing on such day and (b) be deemed to further represent and warrant to the Bank that the then latest financial statements delivered to the Bank by the Borrower under Clause 8.01 have been prepared in accordance with the Applicable Accounting Principles which have been consistently applied and present fairly and accurately the financial position of the Group respectively, for the financial period to which the same relate and as at the end of such financial period, neither the Borrower nor the Guarantor or any other member of the Group had any significant liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against or provided for in, such financial statements.

7. **CONDITIONS PRECEDENT**

7.01. (**Conditions concerning corporate authorizations**). The obligation of the Bank to make the Commitment or any part thereof available shall be subject to the condition that the Bank, shall have received, not later than two (2) Banking Days before the day on which the Drawdown Notice in respect of the Commitment (or, in case that more than one advance have been agreed in Clause 2.03, in respect of the first Advance) is given, the following documents and evidence in form and substance satisfactory to the Bank:

a) A duly certified true copy of the Articles of Incorporation and By-Laws or the Memorandum and Articles of Association, or of any other constitutional documents, as the case may be, of each corporate Security Party and the Manager together with certified translations of the same in Greek, if so required by the Bank;

b) A recent certificate of incumbency of each corporate Security Party and the Manager issued by the appropriate authority and/or at the discretion of the Bank signed by the secretary or a director of each of them respectively, stating the corporate body which binds every one of them, the officers and/or the directors of each of them and containing specimens of their signatures;

c) A recent certificate as to the shareholding of the Borrower issued by an appropriate authority or, at the discretion of the Bank, signed by the secretary or a director of each of them as the case may be, stating respectively the full names and addresses of the person or persons beneficially entitled as shareholders/ stockholders of the entire issued and outstanding shares/ stock of each of them;

d) Minutes of meetings of the directors (or of any other body which binds them, if any) of each corporate Security Party and the Manager and Minutes of meetings of the shareholders of each corporate Security Party (with the exception of the Corporate Guarantor) at which there was approved the entry into, execution, delivery and performance of this Agreement, the Master Swap Agreement and the other Security Documents and any other documents executed or to be executed pursuant hereto or thereto to which the relevant corporate Security Party and/or the Manager is a party;

e) Evidence of the due authority of any person signing this Agreement, the Master Swap Agreement and the other Security Documents and any other documents executed or to be executed pursuant hereto or thereto on behalf of any corporate person;

f) Evidence that all necessary licences, consents, permits and authorizations (including exchange control ones) have been obtained by any Security Party and the Manager for the execution, delivery, validity, enforceability, admissibility in evidence and the due performance of the respective obligations under or pursuant to this Agreement, the Master Swap Agreement and the other Security Documents;

g) Any other documents or recent certificates or other evidence which would be required by the Bank in relation to any corporate Security Party and the Manager evidencing that each of the Security Parties and the Manager has been properly established, continues to exist validly and to be in good standing, which is the corporate body which binds the company, which is its present board of directors and shareholders (save for the Corporate Guarantor), that the execution and performance of the Security Documents has been duly authorized and generally that the representations in Clause 6 are correct in all respects.

7.02. (**Conditions concerning the Securities**). The obligations of the Bank to advance the Commitment or (if so provided in Clause 2.03) any part thereof is subject to the further condition that the Bank at the time of receiving a Drawdown Notice shall have received the following documents (save for the securities which, due to the requirement of their registration in public registries or due to

their nature, cannot be delivered to the Bank before the Drawdown Notice and which will be delivered to the Bank simultaneously with the drawdown):

a) The Earnings Account Pledge and, as the case may be, the Cash Collateral Account Pledge either duly executed and served as appropriately;

(b) The Corporate Guarantee, the Master Swap Agreement, the Master Agreement Security Deed, the Manager's Undertaking (including therein the Assignment of the Manager) and notices of assignment, the Assignment of the Approved Charter and the notice thereof, the Mortgage, the Assignment of Insurances and Earnings and the respective notices thereof, each duly executed and where appropriate duly registered with the appropriate registry;

(c) Evidence that the Earnings Account and, as the case may be, the Cash Collateral Account, have been duly opened and the relevant agreement for the opening of account and any addendum thereto, all mandate forms, the Bank's general terms and conditions, signature cards and authorities have been duly executed and delivered;

(d) Evidence that all fees due and payable on the Drawdown Date have been paid to the Bank.

7.03. (**Conditions concerning the Vessel**). The obligation of the Bank to advance the Commitment or (if so provided in Clause 2.03) any part thereof is subject to the further condition that the Bank shall have received prior to the relevant drawdown or, where this is not possible, simultaneously with the drawdown of the Commitment or the relevant part thereof:

(a) Valuation of the Vessel as at a date determined by the Bank but in any event not before one (1) month prior to the drawdown prepared on the basis specified in Clause 8.05(b) by an Approved Shipbroker appointed by the Bank in form and substance satisfactory to the Bank in its sole discretion;

(b) Evidence that, prior to or simultaneously with the drawdown, the Vessel will be duly registered in the ownership of its Owner with a shipping registry and under a flag acceptable to the Bank free from any Encumbrances save for those in favour of the Bank and otherwise as contemplated herein and, save for the Approved Charter, free of any other charter;

(c) Evidence that the Vessel has been surveyed by surveyors appointed and/or approved by the Bank and a copy of the surveyor's report in form and substance satisfactory to the Bank and/or, as the case may be, copy certified by a director of the Borrower of the underwater inspection report or any other report or class records as may be issued and/or delivered to the Borrower pursuant to the Memorandum of Agreement and payment by the Borrower of all cost, fees and expenses incurred by the Bank in connection with such survey;

(d) Evidence in form and substance satisfactory to the Bank that the Vessel has been or will - on drawdown - be insured in accordance with the insurance requirements provided for in this Agreement and the other Security Documents to be followed by full copies of cover notes, policies, certificates of entry or other contracts of insurance and irrevocable authority is hereby given to the Bank at any time at its discretion to obtain copies of the policies, certificates of entry or other contracts of insurance from the insurers and/or obtain any information in relation to the Insurances relating to the Vessel;

(e) Copy of the Management Agreement between the Owner and the Manager;

(f) All necessary confirmations by insurers of the Vessel that they will issue letters of undertaking and endorse notice of assignment and loss payable clauses on the Insurances, in form and substance satisfactory to the Bank in its sole discretion and an opinion signed by an independent firm of marine insurance brokers appointed and/or approved by the Bank at the expenses of the Borrower confirming the adequacy of the Insurances maintained on the Vessel;

(g) Evidence that the Vessel maintains its Classification with the Classification Society free from all requirements, recommendations or notations which at the sole discretion of the Bank do not affect Classification;

(h) Evidence that the trading certificates of the Vessel are valid and in force;

(i) Due authorisation in form and substance satisfactory to the Bank authorising the Bank to have access and/or obtain any copies of class records or other information at its discretion from the Classification Society of the Vessel;

(j) Copies of the document of compliance (DOC) and safety management certificate (SMC) in respect of the Vessel certified as true by a Director of the Owner and the Manager together with a certificate identifying and giving the address and other communication details of the ISM designated person for the Vessel.

(k) A copy, certified as a true and complete copy by an officer of the Borrower of the ISSC and the continuous synopsis record (as described in the ISPS Code) for the Vessel.

7.04. (**Conditions concerning newly purchased vessel**). In case that the Vessel to be financed —has been recently acquired, the obligation of the Bank to advance the Commitment or (if so provided in Clause 2.03) any part thereof is subject to the further condition that the Bank shall have received prior to or simultaneously with the drawdown of the Commitment or the relevant part thereof:

a) A copy of the Memorandum of Agreement certified as true and complete by the legal counsel of the Borrower;

b) Evidence to the full satisfaction of the Bank, proving the Seller's title to the Vessel free of any Encumbrances, debts or claims of any nature whatsoever and in case that the Vessel is changing Registry, that the Vessel has been deleted from the previous Registry;

c) Duly certified copies of corporate documentation of the Seller - comparable at the discretion of the Bank to that provided in Clause 7.01 - proving the due incorporation and existence of the Seller and the due authorization of the sale of the Vessel and the execution of all documents required in connection therewith; and

d) Duly certified copy of the Bill of Sale, the protocol of delivery and acceptance of the Vessel and the relevant invoices.

The above Conditions Precedent under (b), (c) and (d) above may be required by the Bank in any other case that the Bank at its sole discretion deems it necessary to have evidence of the title of the previous owner of the Vessel.

7.05. (**No change of circumstances**). The obligation of the Bank to advance the Commitment or (if so provided in Clause 2.03) any part thereof is subject to the further condition that at the time of the giving of a Drawdown Notice and on advancing the Commitment or (if it has been so agreed in Clause 2.03) on the making of the Advance to which such Drawdown Notice relates;

a) The representations and warranties set out in Clause 6 and in each of the Security Documents are true and correct on and as of each such time as if each was made with respect to the facts and circumstances existing at such time;

b) No Event of Default shall have occurred and be continuing or would result from the drawdown; and

c) The Bank shall be satisfied that there has been no change in the ultimate ownership, management, operations or financial condition of any Security Party or any member of the Group which (change) might, in the sole opinion of the Bank, be detrimental to the interests of the Bank.

7.06. (**General Conditions**). The obligation of the Bank to advance the Commitment or (if so provided in Clause 2.03) any part thereof is subject to the further condition that the Bank, prior to or simultaneously with the drawdown, shall have received:

(a) Opinion(s) on such aspects of law as the Bank shall deem relevant to this Agreement and the other Security Documents and any other documents executed pursuant hereto or thereto at its sole discretion;

(b) Confirmation from any agents nominated in this Agreement and in the other Security Documents for the acceptance of any notice or service of process, that they consent to such nomination; and

(c) A receipt in writing in form and substance satisfactory to the Bank including an acknowledgement and admission of the Borrower and/or any other Security Party to the effect that the Commitment was drawn by the Borrower and a declaration by the Borrower that all conditions precedent have been fulfilled, that there is no Event of Default and that all the representations and warranties are true and correct.

7.07. (**Further documents**). The Bank may from time to time request and the Borrower shall, within the period specified by the Bank, deliver to the Bank such further documents certificates and/or opinions as requested at the sole discretion of the Bank.

8. **COVENANTS**

It is hereby undertaken by the Borrower that, from the date of this Agreement and as long as any money is due and/or owing and/or outstanding under this Agreement or any of the other Security Documents, the Borrower will:

8.01. **Information Covenants**

(a) (**Annual financial Statements**) furnish the Bank, in form and substance satisfactory to the Bank, with (i) annual, audited, consolidated financial statements of the Guarantor at latest within 180 days after the end of the financial year concerned, audited by auditors acceptable to the Bank and prepared in accordance with Applicable Accounting Principles consistently applied; and (ii) semi-annual unaudited financial statements of the Guarantor within 90 days after the end of the financial year concerned. The said obligations to commence as of 31st December 2011;

(b) (**Financial Information**) provide the Bank annually and from time to time as the Bank may request and in form and substance satisfactory to the Bank with information on the financial condition, actual and projected for the following 12 month period, cash flow position, commitments and operations of the Security Parties and other members of the Group including cash flow analysis and voyage accounts of any vessel owned by any such party or member with a breakdown of income and running expenses showing net trading profit, trade payables and trade receivables, such financial details to be certified as to their correctness by one of the directors of the Borrower and countersigned by the Chief Financial Officer or two Directors of the Corporate Guarantor at the time when such information is given;

(c) (**Information on adverse change or Default**) promptly inform the Bank of any occurrence which came to the knowledge of the Borrower which might adversely affect the ability of the Borrower or any other Security Party to perform its respective obligations under this Agreement, the Master Swap Agreement and/or *any* of the other Security Documents and of any Default forthwith upon becoming aware thereof and will from time to time, if so requested by the Bank, confirm to the Bank in writing that, save as otherwise stated in such confirmation, no Default has occurred and is continuing;

(d) (**Financial and other Information on the developments of the Group**) promptly inform the Bank of any proposed arrangements whereby any member of the Group will have a liability in respect of Indebtedness together with the payment or repayment terms in respect of such Indebtedness including, without limitation, regarding its financial standing, commitments, operations, vessel sales or purchases, any new borrowings, any material litigation, arbitration and administrative proceedings and all major financial developments in relation to each Security Party, any other member of the Group and the Group as a whole;

(e) (**Information on the employment of the Vessel**) advise the Bank promptly and/or at any other time upon the Bank's request with information on the employment of the Vessel as well as on the terms and conditions of any charterparty, contract of affreightment, agreement or related document in respect of the employment of the Vessel such information to be certified as to their correctness by one of the directors of the Borrower and countersigned by the Chief Financial Officer or two Directors of the Corporate Guarantor at the time when such information is given and provide the Bank forthwith after its execution with a certified copy of each such charterparty, contract of affreightment, agreement or related document;

(f) (**Delivery of reports**) deliver to the Bank of every report, circular, notice or like document issued by the Borrower or any member of the Group to its respective shareholders or creditors generally, at the same time when it is issued or given;

8.02. **Banking Arrangements**

(a) (**Banking operations**) ensure that all banking operations in connection with the Vessel are carried out through the Account Branch of the Bank.

(b) (**Liquidity**) ensure that the Borrower and/or the Guarantor maintains at **all** times a free cash credit balance of no less than Five hundred thousand Dollars ($500,000) in unencumbered accounts held or to be held with the Account Branch of the Bank; and

(c) (**Know your customer information**) deliver to the Bank such documents and evidence as the Bank shall from time to time require relating to the verification of identity and knowledge of the Bank's customers and the compliance by the Bank with all necessary "know your customer" or similar checks, always on the basis of applicable laws and regulations or the Bank's own internal guidelines, in each case as such laws, regulations or internal guidelines apply from time to time.

8.03. **No Further Financial Exposure**

(a) (**No further Indebtedness**) incur no further Indebtedness nor authorise or accept any capital commitments (other than that normally associated with the day to day operations of the Vessel) nor enter into any agreement for payment on deferred terms or hire agreement without the prior written consent of the Bank;

(b) (**No Loans-No Guarantees**) not make any loans or advances to, or any investments in any person, firm, corporation, joint venture or other entity including (without limitation) any loan or advance to any officer, director, stockholder or employee or issue guarantees or indemnities or otherwise become directly or contingently liable for the obligations of any person, firm, or corporation except pursuant to the Security Documents and except for guarantees or indemnities from time to time required in the ordinary course by any protection and indemnity or war risks association with which the Vessel is entered, guarantees required to procure the release of the Vessel from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of the Vessel;

(c) (**Share capital and distribution**) not purchase or otherwise acquire for value any shares of the capital or declare or pay any dividends or distribute any of its present or future assets, undertakings, rights or revenues to its shareholder **Provided however** that the Borrower may declare or pay dividends to the Corporate Guarantor, if no Event of Default has occurred and is continuing at the time of declaration or payment of such dividends or would occur as a result thereof and provided further that prior to the relevant payment, the Bank is provided with a Compliance Certificate stating that there is no Event of Default and no such Event of Default will occur as a result of such payment;

(d) (**No Payments**) except pursuant to this Agreement and the Security Documents (or as expressly permitted by the same) not pay out any funds to any company or person except in connection with the administration of the Borrower, the operation and/or repair of the Vessel;

(e) (**No Acquisitions**) not acquire any further assets other than the Vessel and rights arising under contracts entered into by or on behalf of the Borrower in the ordinary course of its business of owning, operating and chartering the Vessel;

8.04. **Maintenance of Corporate and Business Structure**

(a) (**Maintenance of Business Structure**) not change the nature, organisation and conduct of the business of the Borrower as owner/operator of the Vessel or, as the case may be, the Guarantor as holding company of the Borrower and other Subsidiaries and with its shares listed and traded permanently on the New York Stock Exchange, or carry on any business other than the business carried on at the date of this Agreement;

(b) (**Maintenance of Legal Structure**) ensure that none of the documents defining the constitution of the Borrower, the Guarantor, the Manager and any other Security Party shall be altered in any manner whatsoever without the prior written consent of the Bank (except for amendments or variations to its constitutional documents made by the Guarantor for the purposes of any follow on offering or further equity issuance, and then only such amendments or variations as are customary or necessary for such purpose and appropriate to a public company and provided that any such amendments or variations shall be notified by the Guarantor to the Bank in writing shortly i.e. within three (3) Banking Days as of the relevant amendment or variation being resolved);

(c) (**Change of management of a Ship**) appoint any person to carry out the commercial and technical management of the Vessel other than the Manager or terminate a Management Agreement or vary or amend the terms thereof;

(d) (**Control**) ensure that no change shall be made directly or indirectly in the ownership, beneficial ownership, control or management of the Borrower and the Manager or any share therein or of the Vessel without the prior written consent of the Bank;

(e) ensure that no person, or persons acting in concert (other than any financial institution acting as a passive investor), are the legal or ultimate beneficial owners of a higher percentage of the total issued share capital of the Corporate Guarantor, than the percentage of the total issued share capital of the Corporate Guarantor, beneficially owned by Mr Simeon Palios; and that he remains the Chief Executive Officer, the Chairman and a member of the board of directors of the Corporate Guarantor without the prior written consent of the Bank;

(f) (**No merger**) not merge or consolidate with any other company or person or enter into any demerger, amalgamation or corporate reconstruction or re-domiciliation of any type;

8.05**. Pari passu/Subordination/Value of Security**

(a) (i) (**Pari passu**) ensure that the Indebtedness of the Borrower to the Bank under this Agreement and the Master Swap Agreement shall, without prejudice to the provisions of clauses 8.04 and 8.06 and the security intended to be created by the Security Documents, at all times rank at least pari passu with all its other present and future unsecured and unsubordinated Indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract (ii) (Subordination) ensure that the obligations (if any) of the Borrower to repay any loan advanced to it by its shareholder or any other member of the Group are at **all** times fully subordinated towards its obligations to the Bank under this Agreement and the other Security Documents and that any such loans or advances are and remain at all times on terms and conditions acceptable to the Bank in all respects;

(b) (**Valuation of the Vessel**) at least once every year and/or as and when the Bank at its sole discretion requests, provide the Bank, with a valuation of the Vessel from an Approved Shipbroker, at Borrower's own expense, provided that for so long as no Event of Default has occurred, the Borrower shall only be obliged to pay the fees and expenses of up to one valuation for the Vessel in any calendar year, such valuation to be made in Dollars, on the basis of sale for prompt delivery free of charter and free of Encumbrances for cash at arm's length on normal commercial terms as between a willing seller and a willing buyer and made without physical inspection, unless required by the Bank, (**"the basis of valuation"**);

(c) (**Security Shortfall**) If at any time the Security Value shall be less than the Security Requirement, the Bank may give notice to the Borrower requiring that such shortfall be remedied and the Borrower shall, within fifteen (15) days as of the date of receipt of such notice:

(aa) prepay such sum in Dollars as will result in the Security Requirement (after such prepayment and taking into account any other repayment of the Loan made between the date of the notice and the date of such prepayment) being at least equal to the Security Value; or

(bb) if the Borrower requests and the Bank at its sole discretion agrees, pledge such additional amount in favour of the Bank in an account with the Bank in the name of the Borrower, as will result in the Security Value (following deposit of such additional pledged amount) being at least equal to the Security Requirement as at the date of deposit of such additional pledged amount; or

(cc) if the Borrower requests and the Bank at its sole discretion agrees, constitute other additional security (acceptable to the Bank at its discretion) which shall have such value (as determined by the Bank at its discretion) so that the Security Value as at the date of giving such additional security shall be at least equal to the Security Requirement.

Clauses 4.02(a)(e)(f) and 4.05 shall apply to prepayments under clause 8.05(c).

(d) The value of the Vessel shall be determined for the purpose of the Clause 8.05(c) as provided in Clause 8.05(b) and shall be notified by the Bank to the Borrower. In the event that by written notice to the Bank (within two (2) Banking Days) such valuation is not accepted by the Borrower, the value of the Vessel in Dollars shall be determined by the first-class shipbroker originally appointed by the Bank and two further Approved Shipbrokers, one of whom shall be appointed by the Bank and one by the Borrower each of whom will value the Vessel on the basis set out in Clause 8.05(b) and the mean of the valuations of such Approved Shipbrokers shall constitute the value of the Vessel for the purposes of Clause 8.05(c) and shall be binding upon the parties hereto, provided however that the original valuation obtained by the Bank shall constitute the value of the Vessel if (i)no shipbroker is appointed by the Borrower within two Banking Days of delivery of the original valuation or (ii)the shipbroker appointed by the Borrower fails to submit the valuation to the Bank within fifteen (15) days of delivery of the original valuation. All costs in connection with such valuations and any valuation of any additional security provided pursuant to Clause 8.05(c) shall be borne by the Borrower.

(e) Any valuation referred to in Clause 8.05 shall be addressed to the Bank.

8.06. **Maintenance of Assets**

a) (**No Transfer of Assets**) not convey, assign, transfer, sell, abandon, lend or otherwise dispose of or deal with any of its undertakings, real or personal property, assets or rights, or revenues whether present or future (otherwise than by transfers, sales or disposals for full consideration in the ordinary course of trading but in any event excluding the Vessel) whether by one or a series of transactions related or not, without the prior written consent of the Bank;

b) (**No Encumbrance of Assets**) not allow any Encumbrance to subsist, arise or be created or extended over all or any part of its undertakings, property, assets or rights or revenues, whether present or future to secure or prefer any present or future Indebtedness or other liability or obligation of any Security Party (other than the Corporate Guarantor) or any other person without the prior written consent of the Bank.

8.07. **Special Financial Covenants**

(a) (**Minimum Net Worth**) ensure and procure that throughout the Security Period, the Minimum Net Worth as measured as of each Compliance Date during the Security Period by reference to the Applicable Accounts will not at any time be less than $ 150,000,000 million;

(b) (**Maximum Leverage)** ensure and procure that throughout the Security Period, the Maximum Leverage as measured as of each Compliance Date during the Security Period by reference to the Applicable Accounts shall always be less 75%;

(c) (**Minimum liquidity**) ensure and procure that the Guarantor on a consolidated basis shall at all times maintain Minimum Liquidity (free of Encumbrances) in the name of the Guarantor in an amount greater to $ 10,000,000; and

(d) (**Same financial covenants**) ensure and procure that the same financial covenants in respect of the Group, which the Corporate Guarantor has agreed or may agree in the future with any other lenders apply at any relevant time mutatis mutandis in respect of this Agreement.

For the purposes of this clause 8.07 capitalized terms used herein shall have the following meaning, i.e.

"Adjusted Total Assets " means, as of any Compliance Date, the aggregate Vessel's Value of the Fleet Vessels determined on the basis of Clause 8.05 (b) and the market value of other assets obtained (at the cost of the Borrower) from an independent broker which the Bank has approved, or at Bank's sole discretion, has appointed for that purpose and determined on a combined basis in accordance with the Applicable Accounting Principles and as shown in the combined balance sheets of the Guarantor in the Applicable Accounts, adjusted by adding or subtracting (depending on whether the same is positive or negative) the amount by which the Vessel's Value of the Fleet Vessels and the market value of assets (other than the Fleet Vessels) at or about the Compliance Date exceeds, or is less than, the book value of the Fleet Vessels and such other assets;

"Applicable Accounts" means, in relation to a Compliance Date or an accounting period, the consolidated balance sheets and related consolidated statements of stockholders' equity, income and cash flows of the Group set out in the annual financial statements or interim financial statements of the Group prepared as of the Compliance Date or, as the case may be, the last day of the accounting period in question (and which the Borrower is obliged to deliver to the Bank pursuant to Clause 8.01 (a) of this Agreement and which the Guarantor is obliged to deliver to the Bank under Clause 5.01(a) of the Corporate Guarantee);

"Cash and Cash Equivalents" means the amount of cash in hand or at bank credited to an account in the name of any member of the Group including any form of restricted cash and to which the Guarantor is alone (or together with other members of the Group) beneficially entitled, as shown in the Applicable Accounts for the Guarantor for any accounting period to which they relate and determined in accordance with the Applicable Accounting Principles;

"Compliance Date" means 31 December in each calendar year (or such other date as of which the Corporate Guarantor prepares the consolidated financial statements which the Borrower is required to deliver pursuant to Clause 8.01 (a) of this Agreement and which the Guarantor is required to deliver pursuant to clause 5.01(a) of the Guarantee;

"Maximum Leverage" means, in respect of each period during which Applicable Accounts relate, the ratio of Total Debt to Adjusted Total Assets as shown in the Applicable Accounts for the Group for any accounting period and determined in accordance with the Applicable Accounting Principles;

"Minimum Liquidity" means, in respect of each period during which Applicable Accounts relate, Cash and Cash Equivalent which are free from any Encumbrances, as shown in the Applicable Accounts for the Group, for such accounting period and determined in accordance with the Applicable Accounting Principles;

Minimum Net Worth" means the Adjusted Total Assets less Total Debt, as shown in the Applicable Accounts for the Group determined in accordance with Applicable Accounting Principles";

"**Fleet Vessels**" means any vessel (including the Vessel) from time to time wholly owned by any member of the Group (each a **"Fleet Vessel");**

"Security Period" means the period commencing on the date of this Agreement and ending on the date on which the Bank notifies the Borrower and the other Security Parties that no amount is owing or has accrued (without yet having become due for payment) under any Security Document including the Master Swap Agreement and provided that neither the Borrower nor any other Security party has any. future or contingent liability under any other provision of this Agreement or another Security Document or the Master Swap Agreement;

"Total Debt" means the aggregate (as of the date of calculation) of all the obligations of the Group then outstanding for the payment or repayment of money as shown as of each Compliance Date during the Security Period by reference to in the combined balance sheets of the Group in the Applicable Accounts including, without limitation:

(i) any amounts payable by the Guarantor and/or any of its Subsidiaries under leases or similar arrangements over their respective periods;
(ii) any credit to the Guarantor and/or any of its Subsidiaries from a supplier of goods or under any instalment purchase or other similar arrangement;
(iii) the aggregate amount then outstanding of liabilities and obligations of third parties to the extent they are guaranteed by the Guarantor;
(iv) any contingent liabilities (including any taxes or other payments under dispute or arbitration) which have been or, under Applicable Accounting Principles, should be recorded in the notes to the Guarantor's Applicable Accounts; and
(v) any deferred tax liabilities.

(e) (**Change in accounting expressions and policies**) if, by reason of a change in format or Applicable Accounting Principles or other relevant accounting policies, the expressions appearing in any financial statements referred to in Clause 8.01(a) of this Agreement alter from those in the financial statements for the year ended 31 December 2011, the relevant definitions contained in Clauses 1.02, 8.01(a) and this Clause 8.07 shall be deemed modified in such manner as the Bank shall reasonably require to take account of such different expressions but otherwise to maintain in all respects the substance of those provisions.

(f) (**Compliance Certificate**) deliver to the Bank a Compliance Certificate for the relevant period executed by a director of the Corporate Guarantor and counter-signed by the Chief Financial Officer or two Directors of the Corporate Guarantor at the time when any audited consolidated financial statements of the Group are delivered to the Bank in accordance with clause 8.1.5(a) and clause 5.1.4 of the Corporate Guarantee evidencing, inter alia, compliance with the financial undertakings in this Clause 8.07 of this Agreement (or in any other format which the Bank may approve).

8.08. **Covenants concerning the Vessel**

(a) (**Ownership/Management/Control**) ensure that, from the date of this Agreement or as the context may require, from the date of delivery to its Owner, the Vessel will maintain its ownership, control and ultimate beneficial ownership, its management by the Manager as well as (unless prior written consent of the Bank is given) the terms and conditions on which it is managed;

(b) (**Class**) ensure that the Classification of the Vessel remains free of recommendations, notations or average damage affecting class and provide the Bank on demand with copies of all class and trading certificates of the Vessel;

(c) (**Insurances**) maintain all Insurances of the Vessel and comply with all insurance requirements specified in this Agreement (including in particular Schedule 1) and in case of any failure by the Borrower to maintain such Insurances the Bank is hereby expressly authorised (and shall have the right but not the obligation) to effect such Insurances on behalf of the Owner (and in case that the Vessel

remains in port for an extended period) to effect port risks insurances at the cost of the Borrower which, if paid by the Bank, shall be Expenses;

(d) (**Transfer/Encumbrances**) not without the prior written consent of the Bank sell or otherwise dispose of the Vessel or any share therein or mortgage, charge or otherwise assign the Vessel or any part thereof or suffer the creation of any such mortgage, charge or assignment in favour of any person other than the Bank;

(e) (**Not imperil Flag, Ownership, Insurance**) ensure that the Vessel is maintained and trades in conformity with the laws of its flag, with all applicable laws relating to its Owner its master and crew and with the requirements of its Insurances and that nothing is done or permitted to be done which could endanger the flag of the Vessel or its free ownership or its Insurances;

(f) (**Mortgage Covenants**) always comply with all the covenants provided for in the Mortgage on the Vessel and any accompanying deed of covenants;

(g) (**Charter**) (save for an Approved Charter)not without the prior consent of the Bank enter into a charterparty, contract of affreightment, agreement or related document in respect of the employment of the Vessel (i)for a period for more than twelve (12) months or (ii)below the market rate prevailing at the time when the Vessel is fixed in or on terms which are not in accordance with the commercial practice prevailing at the relevant time or (iii)on demise charterparty;

(h) (**Charter Assignment**) execute and deliver to the Bank within fifteen (15) days of signing of any charter, the duration of which is agreed to be for a period, directly or by extension more than twelve (12) months, (a)a specific assignment of such charter in form and substance satisfactory to the Bank and (b)a notice of any such assignment addressed to the relevant charterer and endorsed with an acknowledgment of receipt by the relevant charterer all in form and substance satisfactory to the Bank (such acknowledgment to be delivered to the Bank within fourteen (14) days after the execution of such assignment together with evidence of the authority of the relevant charterer) or (c)alternatively at the discretion of the Bank, a copy of irrevocable instructions of the Owner of the Vessel to the charterer for the payment of the hire to the Bank together with copy of the charterparty with appropriate irrevocable notation;

(i) (**Compliance with Environmental Laws**) to comply with, and procure that all Environmental Affiliates of the Borrower comply with, all Environmental Laws including without limitation, requirements relating to manning and establishment of financial responsibility and to obtain and comply with, and procure that all Environmental Affiliates of the Borrower obtain and comply with, all Environmental Approvals and to notify the Bank forthwith:

(aa) of any Environmental Claim for an amount or amounts exceeding $500,000 made against the Vessel and/or her Owners; and

(bb) upon becoming aware of any incident which may give rise to an Environmental Claim and to keep the Bank advised in writing of the Owner's response to such Environmental Claim on such regular basis and in such detail as the Bank shall require.

(j) (**Without limiting the Borrower's other obligations under this Clause**) provide the Bank with photocopies (certified as true, accurate and complete by a director or the secretary of the Borrower) of the Vessel's Safety Management Certificate and Document of Compliance of the Manager and will provide the Bank with a statement confirming the identity of the Designated Person and the Company for Vessel.

(k) (**Without limiting each Borrower's other obligations under this Clause**) that, in respect of the Vessel from the date of this Agreement, or as the context may require, from the date on which it is delivered to its Owner and for the remainder of the term of the Loan they:

(i) will maintain Safety Management Certificates for the Vessel and Document of Compliance for the Company; and
(ii) will notify the Bank of any actual or threatened withdrawal of the Safety Management Certificates and/or the Document of Compliance; and
(iii) will not change the Company during the term of the Loan without prior notice to the Bank;
(iv) will not change the identity of the Designated Person or the Company during the term of the Loan without the prior written consent of the Bank such consent not to be unreasonably withheld; and
(v) will notify the Bank of any "accident" or "major non-conformity", as each of those terms is defined in the Guidelines on the implementation of the International Safety Management Code by Administrations (adopted by the Assembly of the International Maritime Organization pursuant to Resolution A788(19)), and of the steps being taken to remedy the situation; and
(vi) will procure that the Vessel remains at all times subject to a Safety Management System which complies with the ISM Code; and
(vii) it will, and will procure that the Manager will:

a) maintain at all times a valid and current ISSC in respect of the Vessel;

b) immediately notify the Bank in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC in respect of the Vessel; and

c) procure that the Vessel will comply at all times with the ISPS Code.

(l) (**Compliance with ISM Code**) comply with and ensure that any other Owner or operator of the Vessel complies with the requirements of the ISM Code, including (but not limited to) the maintenance and renewal of valid certificates pursuant thereto throughout the term of this Agreement.

(m) (**Withdrawal of DOC and SMC**) immediately inform the Bank and ensure that any Owner, the Manager or operator informs the Bank if there is any threatened or actual withdrawal of its operator's DOC or the SMC in respect of the Vessel.

(n) (**Issuance of DOC and SMC**) procure that any operator will promptly inform the Bank upon the issue to the Borrower or any operator of a DOC and to the Vessel of an SMC or the receipt by the Borrower or any operator of notification that its application for the same has been refused.

(o) (**Deletion Certificate**) deliver to the Bank certified copy of the deletion certificate within the time agreed with the Seller in the Memorandum of Agreement.

(p) (**Inspection**) ensure that the Bank with surveyors or other persons appointed by it (at the expense of the Borrower) for such purpose, may board the Vessel at all reasonable times for the purpose of inspecting it and its records and be afforded all proper facilities for such inspections and for this purpose reasonable advance notice of any intended drydocking of the Vessel (whether for the purpose of classification, survey or otherwise) is given to the Bank.

8.09. **Observance of other Covenants**

a) **(Use of the Loan)** use the Loan for its benefit and under its full responsibility and exclusively for the purposes specified in clauses 1.0I of this Agreement;

b) **(Compliance with Covenants)** duly and punctually perform all obligations under this Agreement and the other Security Documents;

c) (**Payment on Demand**) pay to the Bank on demand any sum of money which is payable by the Borrower to the Bank under this Agreement but in respect of which it is not specified in any other Clause when it is due and payable;

d) (**Evidence of Compliance**) upon request by the Bank from time to time provide such information and evidence to the Bank as the Bank would reasonably require to demonstrate compliance with the covenants and undertakings set forth in this Agreement and any other Security Document;

e) (**Intra-Group transactions**) ensure that any transactions, agreements or other arrangements (if any) entered into by the Borrower with any members of the Group, are entered into on an arm's length basis and for full value and consideration; and

f) (**Consents and licences**) without prejudice to clauses 6.01 and 7, obtain or cause to be obtained, maintain in full force and effect and comply in all material respects with the conditions and restrictions (if any) imposed in, or in connection with, every consent, authorisation, licence or approval of governmental or public bodies or authorities or courts and do, or cause to be done, all other acts and things which may from time to time be necessary or desirable under applicable law for the continued due performance of all the obligations of the Security Parties under each of the Security Documents;

8.10. **Validity of Securities**

a) (**Validity**) ensure and procure that all governmental or other consents required by law and/or any other steps required for the validity, enforceability and legality of this Agreement and the other Security Documents are maintained in full force and effect and/or appropriately taken;

b) (**Earnings**) ensure and procure that, unless and until directed by the Bank otherwise Wall the Earnings of the Vessel shall be paid to the Earnings Account and (ii)the persons from whom the Earnings are from time to time due are irrevocably instructed to pay them to the Earnings Account in accordance with the provisions hereof and of the relevant Security Documents;

c) (**Taxes**) pay all Taxes, assessments and other governmental charges when the same fall due, except to the extent that the same are being contested in good faith by appropriate proceedings and adequate reserves have been set aside for their payment if such proceedings fail; and

d) (**Additional Documents**) from time to time at the request of the Bank execute and deliver to the Bank or procure the execution and delivery to the Bank of all such documents as shall be deemed desirable at the sole discretion of the Bank for giving full effect to this Agreement, and for perfecting, protecting the value of or enforcing any rights or securities granted to the Bank under any one or more of this Agreement, the other Security Documents and any other documents executed pursuant hereto or thereto and in case that any Conditions Precedent have not been fulfilled prior to the Drawdown, such Conditions shall be complied with within five (5) days of Drawdown (unless the Bank agrees otherwise in writing) and failure to comply with this Covenant shall be an Event of Default.

8.11. **Covenants for the Security Parties**

Ensure and procure that each of the other Security Parties and the Manager will duly and punctually comply, with the covenants which are applicable to them pursuant to the Security Documents to which it is a party and that each of the other Security Parties and the Manager will, duly and punctually perform each of the obligations expressed to be assumed by them under the Security Documents;

9. **EVENTS OF DEFAULT**

There shall be an Event of Default whenever an event occurs described in Clauses 9.01 to 9.07:

9.01. **Non Performance of Obligations**

a) Failure by the Borrower to pay any sum due from the Borrower under this Agreement and/or any of the other Security Documents when due, or, in the case of any sum payable on demand, within three (3) Banking Days of such demand; or

b) Failure by the Borrower to observe and perform any one or more of the covenants, terms or obligations contained in this Agreement (including Schedule 1) and/or any other Security Document relating to the Insurances; or

c) Any breach by the Borrower of or omission of the Borrower to observe any of the covenants, terms, obligations or undertakings under this Agreement and/or any of the other Security Documents (other than failure to pay any sum when due or to comply with any obligation concerning the Insurances) and, in respect of any such breach or omission which in the opinion of the Bank is capable of remedy, such action as the Bank may require shall not have been taken within seven (7) days of the Bank notifying the Borrower of such required action to remedy the breach or omission; or

d) An Event of Default or Potential Event of Default (in each case as defined in the Master Swap Agreement) has occurred and is continuing with the Borrower as the Defaulting Party (as defined in the Master Swap Agreement) under the Master Swap Agreement or an Early Termination Date has occurred or been or become capable of being effectively designated under the Master Swap Agreement by the Bank or the Master Swap Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason; or

9.02. **Events affecting the Borrower**

a) The Borrower is adjudicated or found bankrupt or insolvent or any order is made by any court in any country or territory in which the Borrower carries on business or to the jurisdiction of whose courts any part of its assets is subject, or resolution passed by the Borrower or petition presented for the winding-up or dissolution of the Borrower or for the appointment of a liquidator, trustee, administrator or conservator or compulsory manager or other similar officer of the whole or any part of the undertakings, assets, rights or revenues of the Borrower; or

b) The Borrower becomes or is deemed to be insolvent or suspends payment of its debts or is (or is deemed to be) unable to or admits inability to pay its debts as they fall due or proposes or enters into any composition or other arrangement for the benefit of its creditors generally or proceedings are commenced in relation to the Borrower under any law, regulation or procedure relating to reconstruction or readjustment of debts; or

c) Any corporate action, legal proceedings or other procedures or steps are taken, or negotiations commenced, by the Borrower or by any of its creditors with a view to the general readjustment or rescheduling of all or part of its indebtedness or to proposing any kind of composition, compromise or arrangement involving such person and any of its creditors; or

d) An encumbrancer takes possession or a receiver or similar officer is appointed of the whole or any part of the undertakings, assets, rights or revenues of the Borrower or a distress, execution, sequestration or other process is levied or enforced upon or sued out against any of the undertakings, assets, rights or revenues of the Borrower and is not discharged within seven (7) days; or

e) All or a material part of the undertakings, assets, rights or revenues of the Borrower are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government; or

f) The Borrower suspends or ceases or threatens to suspend or cease to carry on its business; or

g) Any event occurs or proceeding is taken with respect to the Borrower in any jurisdiction to which it is subject which has an effect equivalent or similar to any of the events mentioned in Clauses 9.02(a) to 9.02(f); or

h) A meeting is convened by the Borrower for the purpose of passing any resolution to purchase, reduce or redeem any of its share capital; or

i) There occurs, in the opinion of the Bank, a materially adverse change in the financial condition of the Borrower; or

j) Any other event occurs or circumstances arise which, in the opinion of the Bank, is likely materially and adversely to affect either (i)the ability of the Borrower to perform all or any of its obligations under or otherwise to comply with the terms of this Agreement and/or any of the other Security Documents, or (ii)the security created by this Agreement and/or any of the Security Documents; or

k) There is any change in the beneficial ownership of the shares in the Borrower and/or in the Manager; or

l) The Vessel is arrested, confiscated, seized, taken in execution, impounded, forfeited, detained in exercise or purported exercise of any possessory lien or other claim or otherwise taken from the possession of the Borrower and the Borrower shall fail to procure the release of the Vessel within a period of twenty (20) days thereafter; or

m) The registration of the Vessel under the laws and flag of the relevant Flag State is cancelled or terminated without the prior written consent of the Bank; or

n) The Flag State of the Vessel becomes involved in hostilities or civil war or there is a seizure of power in the Flag State of the Vessel by unconstitutional means if, in any such case such event could in the opinion of the Bank reasonably be expected to have a material adverse effect on the security constituted by any of the Security Documents; or

o) The Borrower ceases at any time to be a wholly-owned direct Subsidiary of the Corporate Guarantor; or

p) There is any change in the legal and/or beneficial ownership of any of the shares of the Manager, from that existing on the date of this Agreement; or

q) The shares of the Corporate Guarantor are de-listed or cease to trade permanently on the New York Exchange; or

r) Any person, or persons acting in concert (other than any financial institution acting as a passive investor), become at any time the legal or ultimate beneficial owners of a higher percentage of the total issued share capital of the Corporate Guarantor, than the percentage of the total issued share capital of the Corporate Guarantor, beneficially owned by Mr Simeon Pal ios at that time; or

s) Mr. Simeon Palios ceases to hold an executive position in the Corporate Guarantor.

9.03. **Representations Incorrect**

Any representation or warranty made or deemed to be made or repeated by or in respect of the Borrower in or pursuant to this Agreement or any of the other Security Documents or in any notice, certificate or statement referred to in or delivered under this Agreement or any of the other Security Documents is or proves to have been incorrect in any material respect.

9.04. **Cross-default of the Borrower and any other member of the Group**

Any Indebtedness of the Borrower or any other member of the Group is not paid when due or becomes due and payable, or any creditor of the Borrower or any other member of the Group becomes entitled to declare any such Indebtedness due and payable prior to the date when it would otherwise have become due, or any guarantee or indemnity given or any obligation or covenant undertaken or agreement made by the Borrower or any other member of the Group in respect of Indebtedness is not honoured when due.

For the avoidance of doubt for the purpose of this clause 9.04 "Indebtedness" shall exclude Indebtedness owing under this Agreement and/or the other Security Documents; or

9.05. **Events affecting the Security Documents**

(a) This Agreement or any of the other Security Documents shall at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Security Documents shall at any time and for any reason be contested by any party thereto (other than the Bank), or if any such party shall deny that it has any, or any further, liability thereunder or it becomes impossible or unlawful for the Borrower to fulfill any of its covenants and obligations contained in this Agreement or any of the Security Documents or for the Bank to exercise the rights vested in it thereunder or otherwise; or

(b) Any consent, authorization, license or approval of, or registration with or declaration to, governmental or public bodies or authorities or courts required by the Borrower to authorize or otherwise in connection with, the execution, delivery, validity, enforceability or admissibility in evidence of this Agreement and/or any of the Security Documents or the performance by the Borrower of its obligations under this Agreement and/or any of the Security Documents is modified in a manner unacceptable to the Bank or is not granted or is revoked or terminated or expires and is not renewed or otherwise ceases to be in full force and effect; or

(c) Any Encumbrance in respect of any of the property (or part thereof) which is the subject of the Security Documents (or any of them) is enforced; or

9.06. **Events concerning the Security Parties**

(a) Any Security Party (other than the Borrower) fails to pay any sum due from it under this Agreement and/or any of the Security Documents when due, or, in the case of any sum payable on demand, within three (3) Banking Days of demand; or

(b) Any Security Party (other than the Borrower) fails to observe and perform any one or more of the covenants, terms or obligations contained in this Agreement (including Schedule 1) and/or the other Security Documents relating to the Insurances; or

(c) Any Security Party (other than the Borrower) commits any breach of or omits to observe any of the covenants, terms, obligations or undertakings expressed to be assumed by it under this Agreement and/or any of the Security Documents (other than failure to pay any sum when due or to observe or perform obligations relating to the Insurances) and, in respect of any such breach or omission which in the opinion of the Bank is capable of remedy, such action as the Bank may require shall not have been

taken within seven (7) days of the Bank notifying the relevant Security Party, of such required action to remedy the breach or omission; or

(d) Any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party (other than the Borrower) in or pursuant to this Agreement or any of the other Security Documents or in any notice, certificate or statement referred to in or delivered under this Agreement or any of the other Security Documents is or proves to have been incorrect in any material respect; or

(e) Any of the events referred to in Clauses 9.02 to 9.05 occurs (amended as appropriate) in relation to any Security Party (other than the Borrower); or

(f) Any of the events specified in Clauses 9.02 to 9.05 occurs (amended as appropriate) with respect to any member of the Group which is not a Security Party and, in the sole opinion of the Bank, the ability of the Security Parties (or any of them) to perform all or any of their obligations under, or otherwise to comply with the terms of this Agreement and the other Security Documents may be materially and adversely affected thereby.

9.07. **Environmental Events**

(a) Any Security Party and/or any other Relevant Party and/or any of their respective Environmental Affiliates fails to comply with any Environmental Law or any Environmental Approval or the Vessel or any other Relevant Ship is involved in any incident which gives rise or which may give rise to any Environmental Claim, if in any such case, such non compliance or incident or the consequences thereof could (in the opinion of the Bank) reasonably be expected to have a material adverse effect on the business assets, operations, property or financial condition of the Borrower or any other Security Party or on the security created by any of the Security Documents; or

(b) any Security Party or any other person fails or omits to comply with any requirements of the protection and indemnity association or other insurer with which the Vessel is entered for insurance or insured against protection and indemnity risks (including oil pollution risks) to the effect that any cover (including without limitation, liability for Environmental Claims arising in jurisdictions where the Vessel operate or trade) is or may be liable to cancellation, qualification or exclusion at any time.

9.08. **Consequences of Default**

(i) The Bank may without prejudice to any other rights of the Bank, at any time after the happening of an Event of Default:

(a) by notice to the Borrower declare that the obligation of the Bank to make the Commitment available shall be terminated, whereupon the Commitment shall be reduced to zero forthwith; and/or

(b) by notice to the Borrower declare that the Loan and all interest and commitment commission accrued and all other sums payable under this Agreement and the other Security Documents have become due and payable, whereupon the same shall, immediately or in accordance with the terms of such notice, become due and payable without any further diligence, presentment, demand of payment, protest or notice which are expressly waived by the Borrower; and/or

(c) withdraw the declaration contained in the notice under sub-clauses (a) and (b) above with effect from the date specified in such notice.

(ii) (**Enforcement**). The Bank may, at any time after the occurrence of an Event of Default put into force and exercise all or any of the rights, powers and remedies under this Agreement and/or under any other Security Documents in its own name and behalf.

9.09. (**Proof of Default**). **It** is agreed that (i) the non-payment of any sum of money in time will be proved conclusively by mere passage of time and (ii) the occurrence of this (non payment) and any other Event of Default shall be proved conclusively by a mere written statement of the Bank which (statement) shall be conclusive, binding and full evidence for the Borrower but the Borrower shall be allowed to rebut such evidence by any means of evidence save for witnesses.

9.10. (**Conversion of Loan in case of Default**). **It** is hereby agreed that in the event the Borrower is in default of payment of any amount to the Bank for more than six (6) months and the Bank has given or intends to give the notice under clause 9.08 (b), the Bank is entitled (but not obliged) to convert to Euros any and/or all sums owing to the Bank and/or the Swap Provider under this Agreement, the Master Swap Agreement and the other Security Documents..

10. INDEMNITIES - EXPENSES

10.01. (**Indemnity**). The Borrower shall on demand (and it is hereby expressly undertaken by the Borrower to) indemnify the Bank, without prejudice to any of the other rights of the Bank under any of the Security Documents, against any loss or expense which the Bank shall certify as sustained or incurred as a consequence of (i)any default in payment by any of the Security Parties of any sum under any of the Security Documents when due, (ii)the occurrence of any Event of Default, (iii)any prepayment of the Loan or part thereof being made under Clauses 3.06, 4.03, 8.05(c) or 12 or any other repayment of the Loan or part thereof being made otherwise than on an Interest Payment Date relating to the part of the Loan prepaid or repaid or (iv)any drawdown not being made for any reason (excluding any default by the Bank) after a Drawdown Notice has been given, including, in any such case, but not limited to, any loss or expense sustained or incurred in maintaining or funding the Loan or any part thereof or in liquidating or re-employing deposits from third parties acquired to effect or maintain the Loan or any part thereof.

It is hereby agreed, however, that in case of application of Clauses 4.02 and 4.03 hereof, the Borrower will indemnify the Bank in respect of interest breakage costs (if any) but not in respect of the interest margin on the amount prepaid for the balance of any then current interest period.

10.02. (**Expenses**). The Borrower shall (and it is hereby expressly undertaken by the Borrower) pay to the Bank on demand:

a) (**Initial and Amendment expenses**) all expenses (including legal, printing and out-of-pocket expenses) incurred by the Bank in connection with the negotiation, preparation and execution of this Agreement and the other Security Documents and of any amendment or extension of or the granting of any waiver or consent under this Agreement and/or any of the Security Documents and/or in connection with any proposal by the Borrower to constitute additional security pursuant to Clause 8.05(c), whether any such security shall in fact be constituted or not;

b) (**Enforcement expenses**) all expenses (including legal and out-of-pocket expenses) incurred by the Bank in contemplation of, or otherwise in connection with, the enforcement of, or preservation of any rights under, this Agreement and/or any of the other Security Documents, or otherwise in respect of the moneys owing under this Agreement and/or any of the other Security Documents or the contemplation or preparation of the above, whether they have been effected or not; and

c) (**Other expenses**) any and all other Expenses as defined in Clause 1.02.

d) the legal costs of the Bank's appointed lawyer, in respect of the preparation of this Agreement and the other Security Documents as well as the legal costs of the foreign lawyers (if these are available) in respect of the registration of the Security Documents or any search or opinion given to the Bank in respect of the Security Parties or the Vessel or the Security Documents. The said legal costs to be due and payable on the date of drawdown.

All expenses payable pursuant to this Clause 10.02 shall be paid together with Value Added Tax (if any) thereon.

10.03. (**Stamp duty**). The Borrower shall (and it is hereby expressly undertaken by the Borrower to) pay any and all stamp, registration and similar taxes or charges (including those payable by the Bank) imposed by governmental authorities in relation to this Agreement and any of the other Security Documents, and shall indemnify the Bank against any and all liabilities with respect to, or resulting from delay or omission on the part of the Borrower to pay such stamp taxes or charges.

10.04. (**Environmental Indemnity**). The Borrower shall indemnify the Bank on demand and hold the Bank harmless from and against all costs, expenses, payments, charges, losses, demands, liabilities,

actions, proceedings (whether civil or criminal) penalties, fines, damages, judgements, orders, sanctions or other outgoings of whatever nature which may be suffered, incurred or paid by, or made or asserted against the Bank at any time, whether before or after the repayment in full of principal and interest under this Agreement, relating to, or arising directly or indirectly in any manner or for any cause or reason out of an Environmental Claim made or asserted against the Bank.

10.05. (**Currencies**). If any sum due from the Borrower under any of the Security Documents or any order or judgment given or made in relation hereto has to be converted from the currency (the "first currency") in which the same is payable under the relevant Security Document or under such order or judgment into another currency (the "second currency") for the purpose of (i)making or filing a claim or proof against the Borrower or any other Security Party, as the case may be, (ii)obtaining an order or judgment in any court or other tribunal or (iii)enforcing any order or judgment given or made in relation to any of the Security Documents, the Borrower shall (and it is hereby expressly undertaken by the Borrower to) indemnify and hold harmless the Bank from and against any loss suffered as a result of any difference between (a)the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b)the rate or rates of exchange at which the Bank may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. Any amount due from the Borrower under this Clause 10.05 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of any of the Security Documents, and the term "rate of exchange" includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

10.06. (**Maintenance of the Indemnities**). The indemnities contained in this Clause 10 shall apply irrespective of any indulgence granted to the Borrower or any other party from time to time and shall continue to be in full force and effect notwithstanding any payment in favour of the Bank and any sum due from the Borrower under this Clause 10 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under any one or more of this Agreement, the other Security Documents and any other documents executed pursuant hereto or thereto.

10.07. (**Communications Indemnity**). It is hereby agreed in connection with communications that:

a) Express authority is hereby given by the Borrower to the Bank to accept (at the sole discretion of the Bank) all tested or untested communications given by facsimile, cable or otherwise, regarding any or all of the notices, requests, instructions or other communications under this Agreement, subject to any restrictions which may be imposed by the Bank relating to such communications including, without limitation (if so required by the Bank), the obligation to confirm such communications by letter.

b) The Borrower shall recognise any and all of the said notices, requests, instructions or other communications as legal, valid and binding, when these notices, requests, instructions or communications come from the fax number mentioned in Clause 13.09 or any other fax number usually used by it or its managing company.

c) The Borrower hereby assumes full responsibility for the execution of the said notices, requests, instructions or communications by the Bank and promises and recognises that the Bank shall not be held responsible for any loss, liability or expense that may result from such notices, requests, instructions or other communications, except in cases of gross negligence or wilful misconduct by the Bank. It is hereby undertaken by the Borrower to indemnify in full the Bank from and against all actions, proceedings, damages, costs, claims, demands, expenses and any and all direct and/or indirect losses which the Bank or any third party may suffer, incur or sustain by reason of the Bank following such notices, requests, instructions or communications, except in cases of gross negligence or wilful misconduct by the Bank.

d) With regard to notices, requests, instructions or communications issued by electronic and/or mechanical processes (e.g. by facsimile), the risk of equipment malfunction, including, without limitation, transmission errors, omissions and distortions is assumed fully and accepted by the Borrower, except in cases of gross negligence or wilful misconduct by the Bank.

e) The risks of misunderstandings and errors of notices, requests, instructions or communications being given as mentioned above, are for the Borrower and the Bank will be indemnified in full pursuant to this Clause 10.

f) The Bank shall have the right to ask the Borrower to furnish any information the Bank may require to establish the authority of any person purporting to act on behalf of the Borrower for these notices, requests, instructions or communications but it is expressly agreed that there is no obligation for the Bank to do so. The Bank shall be fully protected in, and the Bank shall incur no liability to the Borrower for acting upon the said notices, requests, instructions or communications which were believed by the Bank in good faith to have been given by the Borrower or by any of their authorised representative(s).

g) It is undertaken by the Borrower to safeguard the function and the security of the electronic and mechanical appliance(s) such as fax(es), as well as the code word list, if any, and to take adequate precautions to protect it from loss and to prevent its terms becoming known to any persons not directly concerned with its use. The Borrower shall hold the Bank harmless and indemnified from all claims, losses, damages and expenses which the Bank may incur by reason of the failure of the Borrower to comply with the obligations under this Clause and/or this Agreement.

h) The Bank may at any time, without disclosing to the Borrower the reason (and such discretion of the Bank is expressly admitted by the Borrower hereby) refuse to execute the notices, requests, instructions or communications of the Borrower, or any part thereof given by fax without incurring any responsibility for loss, liability or expense arising out of such refusal.

10.08. (**Central Bank or European Central Bank reserve requirements indemnity**). The Borrower shall on demand promptly indemnify the Bank against any cost incurred or loss suffered by the Bank as a result of its complying with the minimum reserve requirements of the European Central Bank and/or with respect to maintaining required reserves with the relevant national central bank to the extent that such compliance relates to the Commitment or the Loan or part thereof or deposits obtained by it to fund or maintain the whole or part of the Loan.

11**. SECURITY AND SET-OFF**

11.01. (**Securities**). As security for the due and punctual repayment of the Loan and payment of interest thereon as provided in this Agreement, the Master Swap Agreement and of all other Outstanding Indebtedness, the Borrower shall ensure and procure that the following Security Documents are duly executed and, where required, registered in favour of the Bank in form and substance satisfactory to the Bank at the time specified herein or otherwise as required by the Bank and ensure that such security consists of:

a) Duly registered first priority maritime mortgage over the Vessel accompanied by deed of covenants as appropriate on the basis of the provisions of the applicable law providing the highest degree of security for the Bank (the **"Mortgage"**);

b) First priority general assignment of all the Insurances and Earnings and Requisition Compensation of the Vessel in form and substance satisfactory to the Bank and respective notices of assignment (the **"Assignment of Insurances and Earnings"**);

c) First priority specific assignment of the Approved Charter in form and substance satisfactory to the Bank and respective notice of assignment and acknowledgement by the Approved Charterer in form and substance satisfactory to the Bank (the **"Assignment of Charter"**);

d) The Corporate Guarantee;

e) A first priority pledge on the Earnings Account as per Clause 11.06 in form and substance satisfactory to the Bank (the **"Earnings Account Pledge"**);

f) A first priority pledge on the Cash Collateral Account as per Clause 11.06 (a) in form and substance satisfactory to the Bank (the **"Cash Collateral Account Pledge"**);

g) The Manager's Undertaking;

11.02. (**Maintenance of Securities**). It is hereby undertaken by the Borrower that the Security Documents shall both at the date of execution and delivery thereof and so long as any moneys are owing and/or due under this Agreement or under the other Security Documents be valid and binding obligations of the respective Security Parties thereto and rights of the Bank enforceable in accordance with their respective terms and that they will, at the expense of the Borrower, execute, sign, perfect and do any and every such further assurance, document, act, omission or thing as in the opinion of the Bank may be necessary or desirable for perfecting the security contemplated or constituted by the Security Documents.

11.03. (**Application of funds**). All moneys received by the Bank under or pursuant to any of the Security Documents shall be applied by the Bank in the following manner:

a) firstly in or towards payment of Expenses and all sums other than principal or interest which may be due to the Bank under this Agreement and the Security Documents or any of them at the time of application;

b) secondly in or towards any default interest;

c) thirdly in or towards any arrears of interest due in respect of the Loan or any part thereof;

d) fourthly in or towards repayment of the Loan whether the same is due and payable or not;

e) fifthly sums owing to the Bank under the Master Swap Agreement, the Master Agreement Security Deed any other documents executed or to be executed pursuant to such documents;

f) sixthly the surplus (if any) shall be paid to the Borrower, or to whomsoever else shall be entitled thereto.

11.04. (**Set off**). Express authority is hereby given by the Borrower to the Bank without prejudice to any of the rights of the Bank at law contractually or otherwise, at any time and without notice to the Borrower:

a) to apply any credit balance standing upon any account of the Borrower with any branch of the Bank and in whatever currency in or towards satisfaction of any sum due to the Bank from the Borrower under this Agreement and/or any of the other Security Documents;

b) in the name of the Borrower and/or the Bank to do all such acts and execute **all** such documents as may be necessary or expedient to effect such application; and

c) to combine and/or consolidate all or any accounts in the name of the Borrower with the Bank.

For all or any of the above purposes authority is hereby given to the Bank to purchase with the monies standing to the credit of any such account or accounts such other currencies as may be necessary to effect such application. The Bank shall not be obliged to exercise any right given by this Clause.

11.05. (**Earnings Account**).

(a) The Borrower shall procure that all moneys payable in respect of the Earnings of the Vessel shall be paid to the Earnings Account free from Encumbrances (save for Encumbrances in favour of the Bank).

(b) Subject to Clause 11.06 (j), until the occurrence of an Event of Default (whereupon the provisions of the Earnings Account Charge shall apply), subject to compliance with the payment obligations under this Agreement and the Master Swap Agreement and subject to no Event of Default having occurred, moneys for the time being credited to the Earnings Account may be available to the Borrower and (subject as aforesaid) may be withdrawn from the Earnings Account to be used for any purpose not inconsistent with the Borrower other obligations' under this Agreement. The Borrower shall not be entitled to draw from the Earnings Account if an Event of Default has occurred.

(c) The Borrower, at its own costs and expenses, undertakes with the Bank to comply with or cause to be complied with any written requirement of the Bank from time to time as to the location or relocation of the Earnings Account and will from time to time enter into such documentation as the Bank may require in order to create or maintain a security interest in the Earnings Account.

(d) Subject to Clause 11.06 (j), upon the occurrence of an Event of Default or at any time thereafter (if the Event of Default is continuing) the Bank shall be entitled to set off and apply all sums standing to the credit of the Earnings Account and accrued interest (if any) without notice to the Borrower in the manner specified in Clause 11.03 (and express and irrevocable authority is hereby given by the Borrower to the Bank so to set off and apply the same and the Bank shall be released to the extent of such set off and application).

(e) The Borrower shall not assign, transfer or suffer any Encumbrance to arise over the whole or any part of the Earnings Account (other than pursuant to the Earnings Account Charge).

11.06. (**Security Financial Collateral Arrangements**).

(a) For so long as any moneys are owing under this Agreement, the Borrower may freely credit the Cash Collateral Account with moneys in an amount equal to or less than the amount of the Loan but no less than Dollars Five Hundred Thousand ($500,000).

(b) A first priority pledge shall be granted or (as the context may require) has been granted by the Borrower, as collateral provider, in favour of the Bank, as collateral taker, over all monies credited to the Cash Collateral Account and over all claims of the Borrower thereunder, in form and substance satisfactory to the Bank (the **"Cash Collateral Pledge").**

(c) Both the agreement for the opening of the Cash Collateral Account and the Cash Collateral Account Pledge shall include, inter alia, "a close-out netting provision" under law 3301/2004 and Directive 2002/47/EC of the European Parliament and the Council of 6 June 2002 on financial collateral arrangements (the **"Cash Collateral Legislation ").**

(d) Any amount owing under this Agreement and the Master Swap Agreement or any other Security Document (whether in respect of costs, interest, principal or otherwise) when due and payable in accordance with their respective terms (whether by acceleration or otherwise) shall be paid out of the monies funds deposited with the Cash Collateral Account by way of set off and the Borrower hereby expressly authorizes the Bank to so apply such funds.

(e) The period(s) for the moneys deposited with the Cash Collateral Account shall be so fixed as to allow the application provided in sub-paragraphs (c) and (d) above.

(f) Notwithstanding the Cash Collateral Pledge prior to and until the occurrence of an Enforcement Event (whereupon the provisions of the Cash Collateral Pledge and sub-clause (g) of this Clause 11.06 shall apply) and prior to and until the occurrence of an Event of Default, monies for the time being credited to the Cash Collateral Account shall be freely available to the Borrower and may be withdrawn from the Cash Collateral Account in accordance with its terms.

(g) Upon the occurrence of an Enforcement Event, both any amount standing to the Cash Collateral Account (regardless of any fixed interest period) and the Loan together with any accrued interest shall become, immediately and automatically without any notice, due and payable and shall be set off and a net sum equal to any difference shall be payable by the party from whom the larger amount is due to the other party (Close Out netting).

(h) For the purposes of this Clause 11.06 "Enforcement Event" means in respect of the Bank and/or the Borrower "winding up proceedings" or "reorganization measures" (as these terms are defined in the Cash Collateral Legislation) or any other event (except an Event of Default) which prevents or results in preventing the Borrower from withdrawing the funds deposited to the Cash Collateral Account, whether this is by virtue of a provision of any law, regulation, statutory rule or regulatory requirement or any request or order of any central bank, monetary, regulatory or other authority or any court or otherwise.

(i) For the avoidance of doubt, it is agreed that moneys paid or to be paid to the Earnings Account as per Clause 11.05 are not part of the Cash Collateral Account.

(j) Similarly, the Earnings Account Pledge and the agreement for the opening of the Earnings Account or any addendum thereto, shall include, inter alia, "a close-out netting provision" as referred to in Clause 11.06 (c). The provisions of this Clause 11.06 (c), (d) (f), (g), (h) and (i) shall apply mutatis mutandis.

(k) The Borrower shall not assign, transfer or suffer any Encumbrance (other than the Cash Collateral Pledge) over the whole or any part of the Cash Collateral Account.

(l) The provisions of this Clause 11.06 are without prejudice to any other rights of the Bank under this Agreement, the ISDA Master Agreement and/or any other Security Document or under law.

11.07. (**Variation to the Margin**).

Without prejudice to the rights of the Bank under clause 12, it is agreed that, if as a result of any change in, or in the interpretation or application of, or the introduction of, any law or any regulation, request or requirement (whether or not having the force of law, but, if not having the force of law, with which the Bank habitually complies), including (without limitation) those relating to capital adequacy, liquidity, reserve assets, cash ratio deposits and special deposits, is to (a)reduce the Bank's rate of return on its overall capital by reason of a change in the manner in which it is required to allocate capital resources to the Bank's obligations under any of the Security Documents; or (b)require the Bank to make a payment or forego a return on or calculated by reference to any amount received or receivable by the Bank under any of the Security Documents; or (c)require the Bank to incur or sustain a loss (including a loss of future profits) by reason of being obliged to deduct all or part of the Loan from its capital for regulatory purposes,

then and in each such case:

(a) the Bank shall notify the Borrower in writing of such event promptly upon its becoming aware of the same; and

(b) with effect from the then immediately forthcoming Interest Period:

(i) the split Margin as provided in the definition of Margin in clause 1.02 shall cease;
(ii) the Margin to be applied to the whole of the Loan thereafter shall be two point fifty per cent (2.50%) per annum;
(iii) the definition of "Margin" shall be amended to mean two point fifty per cent (2.50%) per annum;

11.08. (**Additional Provisions relating to the Master Swap Agreement)**.

(a) (**Swap transactions**). If, at any time during the term of the Loan, the Borrower wishes to enter into interest rate swap transactions so as to hedge all or any part of its exposure under this Agreement relating to the Loan to interest rate fluctuations, it shall advise the Bank in writing. Any such swap transaction shall be concluded with the Swap Provider under the Master Swap Agreement provided however that no such swap transaction shall be concluded unless the Bank first agrees to it in writing. For the avoidance of doubt, it is hereby agreed and acknowledged by the Borrower that the Swap Provider, by the mere execution by it of this Agreement and the Master Swap Agreement, has no obligation (express or implied) whatsoever to enter into any such derivative transaction with the Borrower and any such transactions and terms thereof would be subject to the Swap Provider's prior independent approval and agreement in writing. If and when any such swap transaction has been concluded, it shall constitute a Designated Transaction, and the Borrower shall sign a Confirmation with the Swap Provider and the following provisions will apply in addition to the terms of the Master Swap Agreement. The Borrower will not be entitled to enter into any such swap transaction with any other bank unless the Swap Provider has first declined to approve or consider entering into any such transaction.

(b) (**Security**). The obligations of the Borrower and any and all amounts to be due under the Master Swap Agreement will be secured on a pari passu basis with the obligations of the Borrower under this Agreement. Further, the Borrower hereby undertakes, at its expense, to execute, sign, perfect, do and (if required) register every such security, document, act or thing (all in form and substance satisfactory to the Swap Provider) as in the opinion of the Swap Provider may be necessary for the entering into or the continuing of a Transaction under the Master Swap Agreement.

(c) (**Reduction of the notional amounts**). The notional amount(s) under the Master Swap Agreement shall be reduced proportionally with the reduction of the Loan pursuant to the terms of this Agreement.

(d) (**Bank's rights in case of partial drawdown of the Commitment**). If for any reason the Commitment partly or wholly is not drawn down under this Agreement but nonetheless a Designated Transaction has been entered into under the Master Swap Agreement then, subject to sub-clause (f) the Swap Provider shall be entitled but not obliged to amend, supplement, cancel, net out, terminate, liquidate, transfer or assign all or any part of the rights, benefits and obligations created by the Master Swap Agreement and/or to obtain or re-establish any hedge or related trading position in any manner and with any person the Swap Provider in its sole discretion decides, and in the event of the Bank exercising any part of its entitlement aforesaid the Borrower's continuing obligations under the Master Swap Agreement shall, unless agreed otherwise by the Swap Provider, be calculated so far as the Bank considers it practicable by reference to the repayment schedule for the Loan taking into account the fact that less than the full amount of the Loan has been advanced.

(e) (**Bank's rights in case of prepayment of the Loan**). In the case of a prepayment of all or part of the Loan then, subject to sub-clause (f), the Swap Provider shall be entitled but not obliged to amend, supplement, cancel, net out, transfer or assign all or such part of the rights, benefits and obligations created by the Master Swap Agreement which equate to the part of the Loan so prepaid and/or to obtain or re-establish any hedge or related trading position in any manner and with any person the Swap Provider in its sole discretion decides, and in the case of a partial prepayment and the Swap Provider exercising any part of its entitlement as aforesaid the Borrower's continuing obligations under the Master Swap Agreement shall, unless agreed otherwise by the Bank, be calculated so far as the Swap Provider considers it practicable by reference to the amended repayment schedule for the Loan taking account of the fact that less than the full amount of the Loan remains outstanding.

(f) (**Maintenance of a Transaction in case of prepayment or in case of no drawdown of an Advance -Additional Security**).

(i) If less than the full amount of the Loan remains outstanding following a prepayment under this Agreement (which includes a prepayment in full of the Loan to zero) and the Bank in its sole discretion agrees, following a written request of the Borrower, that the Borrower may be permitted to maintain all or part of a Designated Transaction in any amount not wholly matched with or linked to all or part of the Loan, the Borrower shall within ten (10) days of being notified by the Swap Provider of such requirement either (i) provide the Swap Provider with, or procure the provision to the Swap Provider of, such additional security as shall in the opinion of the Swap Provider be adequate to secure the performance of such Designated Transaction, which additional security shall take such form, be constituted by such documentation, and be entered into between such parties, as the Swap Provider in its sole discretion may approve or require, and each document comprising such additional security shall constitute a Credit Support Document (as defined in the Master Swap Agreement); or (ii) reverse, offset, unwind or otherwise terminate wholly or partially the continuing Designated Transactions so that the aggregate notional amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Loan as reducing from time to time;

(ii) If a Designated Transaction has been entered into but no Advance, in case that the Commitment has been agreed to be drawn in Advances, is drawn down under this Agreement and the Swap Provider in its sole discretion agrees, following a written request of the Borrower, that the Borrower may be permitted to maintain all or part of a Designated Transaction, the Borrower shall within ten (10) days of being notified by the Swap Provider of such requirement either: (i) provide the Swap Provider with, or procure the provision to the Swap Provider of, such additional security as shall in the opinion of the Swap Provider be adequate to secure the performance of such Designated Transaction, which addition security

shall take such form, be constituted by such documentation, and be entered into between such parties, as the Swap Provider in its absolute discretion may approve or require, and each document comprising such additional security shall constitute a Credit Support Document (as defined in the Master Swap Agreement); or (ii) reverse, offset, unwind or otherwise terminate wholly or partially the continuing Designated Transactions so that the aggregate notional amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Loan as reducing from time to time;

(g) (**Indemnity**). The Borrower shall on the first written demand of the Swap Provider indemnify the Bank in respect of all losses, costs and expenses (including, without limitation, legal expenses) incurred or sustained by the Swap Provider as a consequence of or in relation to the effecting of any matters or transactions referred to in sub-clauses (c), (d) and (e).

(h) (**Payment in case of Early Termination**). Without prejudice to or limitation of the obligation of the Borrower under sub-clause (g), in the event that the Swap Provider exercises any of its rights under sub-clauses (c) and (d) and such exercise results in all or part of a Designated Transaction being terminated, such termination shall be treated under the Master Swap Agreement in the same manner as if it were a Terminated Transaction (as defined in Section 14 of the Master Swap Agreement) effected by the Swap Provider after an Event of Default by the Borrower, and, accordingly, the Swap Provider shall be permitted to recover from the Borrower a payment for Early Termination calculated in accordance with the provisions of section 6(e)(i) of the Master Swap Agreement.

(i) (**Evidence**). It is hereby e4ressly agreed and admitted by the Borrower that abstracts or photocopies or other reproductions of the books or records of the Bank as well as statements of accounts or a certificate signed by an authorised officer of the Swap Provider shall (save for manifest error) be conclusive evidence and binding on the Borrower of any amount to be due under the Master Swap Agreement, the non payment of any amount and/or the occurrence of any other Event of Default thereunder.

(j) (**Additional Events of Default**) There shall be an additional Event of Default under this Agreement whenever an Event of Default or Potential Event of Default (in each case as defined in the Master Swap Agreement) has occurred and is continuing with the Borrower as the Defaulting Party (as defined in the Master Swap Agreement) under the Master Swap Agreement or an Early Termination Date has occurred or been or become capable of being effectively designated under the Master Swap Agreement by the Swap Provider or the Master Swap Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason.

(k) (**Set off**). Express authority is hereby given by the Borrower to the Swap Provider without prejudice to any of the rights of the Swap Provider at law, in equity or otherwise, at any time and without notice to the Borrower (a) to apply any credit balance standing upon any account of the Borrower with any branch of the Swap Provider and in whatever currency in or towards satisfaction of any sum due to the Swap Provider from the Borrower under the Master Swap Agreement The rights conferred on the Swap Provider by this Clause shall be in addition to, and without prejudice to or limitation of, the rights of netting and set off conferred on the Swap Provider by the Master Swap Agreement. The Borrower acknowledge that the Bank shall be under no obligation to make any payment to the Borrower under or pursuant to the Master Agreement if, at the time that payment becomes due, there shall have occurred an Event of Default or a Default, or an Event of Default or Termination Event (as those terms are respectively defined in the Master Swap Agreement).

(l) (**Gross Up**) For the avoidance of doubt, clause 5.04 does not apply in respect of sums due from the Borrower to the Bank under or in connection with the Master Swap Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Swap Agreement shall apply.

(m) (**Definitions**). In this Agreement the following terms or expression shall have the meaning given to them hereinbelow:

"Confirmation" shall have, in relation to any continuing Designated Transaction, the meaning ascribed to it in the Master Swap Agreement;

"Designated Transaction" means a Transaction which is entered into by the Borrower pursuant to the Master Swap Agreement with the Swap Provider as contemplated by sub-clause (a) and for the purpose of hedging Borrower's exposure under this Agreement to fluctuations of LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the Final Maturity Date for the Loan or the relevant part thereof;

"Early Termination Date" shall have, in relation to any continuing Designated Transaction, the meaning ascribed to it in the Master Swap Agreement;

"Swap Exposure" means, as at any relevant time, the amount certified by the Swap Provider to be the aggregate net amount in Dollars which would be payable by the Borrower to the Swap Provider under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Swap Agreement if an Early Termination Date had occurred at the relevant time in relation to all continuing Designated Transactions;

"Transaction" has the meaning ascribed thereto in the Master Swap Agreement.

12. UNLAWFULNESS, INCREASED COSTS

12.01. (**Unlawfulness**). If any change in, or in the interpretation of, or in case of, introduction of or in case of application of any law, regulation or regulatory requirement or any request of any central bank, monetary, regulatory or other authority or any order of any court renders it unlawful or contrary to any such regulation, requirement, request or order for the Bank to advance the Commitment or any Advance as the case may be, or to maintain or fund the Loan, or give effect to its obligations or to claim or receive any amount payable to the Bank under this Agreement, then the Bank may serve written notice on the Borrower declaring its obligations under this Agreement terminated in whole or in part, whereupon the Commitment shall be reduced to zero and the Borrower shall prepay the Loan in accordance with such notice, together with accrued interest thereon to the date of prepayment and all other sums payable by the Borrower under this Agreement and/or the Master Swap Agreement.

12.02. (**Increased cost**). If as a result of (a) any change in or in the interpretation or application of any law, including (but not limited) any Capital Adequacy Law, regulation or official directive (whether or not having the force of law) by any governmental authority in any country the laws or regulations of which are applicable on the Bank including, without limitation, any central bank, the Bank International Settlements (BIS) or other competent authority or international convention, or (b)compliance by the Bank with any request from any applicable fiscal or monetary authority (whether or not having the force of law) or (c)any other set of circumstances affecting the Bank:

(a) the cost to the Bank of making the Commitment or any part thereof or maintaining or funding the Loan is increased; or

(b) the basis of taxation (other than the basis of taxation of the overall net income of the Bank) of payments to the Bank of principal or of interest on any amounts advanced by it is changed; or

(c) any reserve or liquidity requirements are imposed, modified or deemed applicable against assets held by or commitments of deposits in or for the account of, or loans by or commitments of the Bank; or

(d) any other condition is imposed upon the Bank in respect of the transactions contemplated by this Agreement and the other Security Documents; or

(e) generally the overall cost of making the Commitment or any part thereof or maintaining or funding the Loan is increased for the Bank;

then the Borrower shall pay to the Bank, from time to time, upon demand, such additional moneys as shall indemnify the Bank for any increased cost, reduction in principal or interest receivable or other foregone return whatsoever.

12.03. (**Claim for increased cost**). The Bank will promptly notify the Borrower of any intention to claim indemnification pursuant to Clause 12.02 and such notification will be a conclusive and full evidence binding on the Borrower as to the amount of any increased cost or reduction and the method of calculating the same and the Borrower shall be allowed to rebut such evidence by any means of evidence save for witness. A claim under Clause 12.02 may be made at any time and must be discharged by the Borrower within seven (7) days of demand. It shall not be a defence to a claim by the Bank under this Clause 12.02 that any increased cost or reduction could have been avoided by the Bank, except in cases of gross negligence or wilful misconduct. Any amount due from the Borrower under Clause 12.02 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

12.04. (**Option to prepay**). If any additional amounts are required to be paid by the Borrower to the Bank by virtue of Clause 12.02, the Borrower shall be entitled, on giving the Bank not less than

fourteen (14) days prior notice in writing, to prepay the Loan and accrued interest thereon, together with all other Outstanding Indebtedness, on the next Repayment Date. Any such notice, once given, shall be irrevocable.

13. **MISCELLANEOUS**

13.01. **Assignment, Participation, Change of Lending Branch**

a) (**Binding Effect**). This Agreement shall be binding upon and inure to the benefit of the Bank and the Borrower and their respective successors and assigns.

b) (**Assignment by the Borrower**). The Borrower and any other parties to the Security Documents may not assign any rights and/or obligations under this Agreement or any of the other Security Documents or any documents executed pursuant to this Agreement and/or the other Security Documents without the prior written consent of the Bank.

c) (**Assignment by the Bank**). The Bank may at any time, assign, transfer, or offer participations to other banks or financial institutions or any other person in whole or in part, or in any manner dispose of all or any of its rights and/or obligations arising or accruing under this Agreement or any of the other Security Documents or any documents executed pursuant to this Agreement and/or the other Security Documents. The Bank may disclose to a potential assignee, transferee or participant or to any other person who may propose entering into contractual relations with the Bank in relation to this Agreement such information about the Borrower and the Security Parties as the Bank shall consider appropriate.

d) (**Documentation**). If the Bank assigns, transfers or in any other manner grants participation in respect of all or any part of its rights or benefits or transfers **all** or any of its obligations as provided in this Clause 13.01 the Borrower undertakes, immediately on being requested to do so by the Bank, to enter into and procure that each Security Party enters into such documents as may be necessary or desirable to transfer to the assignee, transferee or participant all or the relevant part of the interest of the Bank in the Security Documents and all relevant references in this Agreement to the Bank shall thereafter be construed as a reference to the Bank and/or assignee, transferee or participant of the Bank to the extent of their respective interests and, in the case of a transfer of all or part of the obligations of the Bank, the Borrower shall thereafter look only to the assignee, transferee or participant in respect of that proportion of the obligations of the Bank under this Agreement assumed by such assignee, transferee or participant. The Borrower hereby expressly consents to any subsequent transfer of the rights and obligations of the Bank and undertakes that it shall join in and execute such supplemental or substitute agreements as may be necessary to enable the Bank to assign and/or transfer and/or grant participation in respect of its rights and obligations to another branch or to one or more banks or financial institutions in a syndicate or otherwise, In case that the circumstances provided for in Clauses 5.03, 5.04, 10.01 and 12 of this Agreement arise in the relations between the Bank and any participant to which the Bank may offer participation, the Borrower shall make the relevant payments provided for in the said Clauses 5.03, 5.04, 10.01 and 12 to the Bank for onward payment to the participant.

e) (**Change of Lending Branch**). The Bank shall be at liberty to transfer the Loan to any branch or branches, and upon notification of any such transfer, the word "Bank" in this Agreement and in the other Security Documents shall mean the Bank, acting through such branch or branches and the terms and provisions of this Agreement and of the other Security Documents shall be construed accordingly.

13.02. (**Cumulative Remedies**). The rights and remedies of the Bank contained in this Agreement and the other Security Documents are cumulative and not exclusive of each other nor of any other rights or remedies conferred by law.

13.03. (**Waivers**). No delay or omission by the Bank to exercise any right, remedy or power vested in the Bank under this Agreement and/or the other Security Documents or by law shall impair such right or power, or be construed as a waiver of, or as an acquiescence in any default by the Borrower and/or

any of the Guarantors, nor shall any single or partial exercise by the Bank of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. In the event of the Bank on any occasion agreeing to waive any such right, remedy or power, or consent to any departure from the strict application of the provisions of this Agreement or of any Security Document, such waiver shall not in any way prejudice or affect the powers conferred upon the Bank under this Agreement and the other Security Documents or the right of the Bank thereafter to act strictly in accordance with the terms of this Agreement and the other Security Documents. No modification or waiver by the Bank of any provision of this Agreement or of any of the other Security Documents nor any consent by the Bank to any departure therefrom by any Security Party shall be effective unless the same shall be in writing and then shall only be effective in the specific case and for the specific purpose for which given. No notice to or demand on any such party in any such case shall entitle such party to any other or further notice or demand in similar or other circumstances.

13.04. (**Integration of Terms**). This Agreement contains the entire agreement of the parties and its provisions supersede the provisions of the Commitment Letter (save for the provisions thereof which relate to fees) and any and all other prior correspondence and oral negotiation by the parties in respect the matters regulated by this Agreement.

13.05. (**Amendments**). This Agreement and any other Security Documents shall not be amended or varied in their respective terms by any oral agreement or representation or in any other manner other than by an instrument in writing of even date herewith or subsequent hereto executed by or on behalf of the parties hereto or thereto.

13.06. (**Invalidity of Terms**). In the event of any provision contained in any one or more of this Agreement, the other Security Documents and any other documents executed pursuant hereto or thereto being invalid, illegal or unenforceable in any respect under any applicable law in any jurisdiction whatsoever, such provision shall be ineffective as to that jurisdiction only without affecting the remaining provisions hereof or thereof. If, however, this event becomes known to the Bank prior to the drawdown of the Commitment or of any part thereof the Bank shall be entitled to refuse drawdown until this discrepancy is remedied. As for the rest, the provisions of Article 181 of the Civil Code will be applicable, but in case that the invalidity of apart results in the invalidity of the whole agreement, it is hereby agreed that there will exist a separate obligation of the Borrower for the prompt payment to the Bank of all the Outstanding Indebtedness. Where, however, the provisions of any such applicable law may be waived, they are hereby waived by the parties hereto to the full extent permitted by that law to the intent that this Agreement, the other Security Documents and any other documents executed pursuant hereto or thereto shall be deemed to be valid binding and enforceable in accordance with their respective terms.

13.07. (**Inconsistency of Terms**). In the event of any inconsistency between the provisions of this Agreement and the provisions of a Security Document the provisions of this Agreement shall prevail.

13.08. **Language and genuineness of documents**

a) (**Language**). All certificates, instruments and other documents to be delivered under or supplied in connection with this Agreement or any of the other Security Documents shall be in the Greek or the English language (or such other language as the Bank shall agree) or shall be accompanied by a certified Greek translation upon which the Bank shall be entitled to rely.

b) (**Certification of documents**). Any copies of documents delivered to the Bank shall be duly certified as true, complete and accurate copies by appropriate authorities or legal counsel practicing in Greece or otherwise as it will be acceptable to the Bank at the sole discretion of the Bank.

c) (**Certification of signature**). Signatures on Board or shareholder resolutions, Secretary's certificates and any other documents are, at the discretion of the Bank, to be verified for their genuineness by appropriate Consul or other competent authority.

13.09. (**Notices**). Every notice, request, demand or other communication under this Agreement or, unless otherwise provided therein, any of the Security Documents shall:

a) be in writing delivered personally or by first-class prepaid letter (airmail if available), or cable or shall be served through a process server or subject to Clause 10.07 by fax;

b) be deemed to have been received, subject as otherwise provided in this Agreement or the relevant Security Document, in the case of fax, at the time of dispatch as per transmission report (provided that if the date of despatch is not a business day in the country of the addressee it shall be deemed to have been received at the opening of business on the next such business day) and in the case of a cable 24 hours after despatch and in the case of a letter when delivered or served personally or five (5) days after it has been put into the post; and

c) be sent:

(1) if to be sent to any Security Party, to
c/o Diana Shipping Services S.A.
Pendelis 16
Palaio Faliro
175 64 Athens
Greece
Fax no: +30 210 942 4975
Attention: Mr Andre-Nikos Michalopoulos

(2) if to be sent to the Bank, to
EMPORIKI BANK OF GREECE S.A.,
1 Korai Street,
Athens 105 64, Greece
Fax no: +(30) 210-3282307
Attn: The Manager

or to such other person, address, fax number as is notified by the relevant Security Party or the Bank (as the case may be) to the other parties to this Agreement and, in the case of any such change of address, fax number notified to the Bank, the same shall not become effective until notice of such change is actually received by the Bank and a copy of the notice of such change is signed by the Bank.

13.10. (**Process Agent**). Mr. Panagiotis Spathis, son of Athanasios, Attorney at Law, of 10, Olympias Street, Nikea, Greece, is hereby appointed by the Borrower as agent to accept service (hereinafter "Process Agent") upon whom any judicial process may be served and any notice, request, demand or other communication under this Agreement or any of the Security Documents In the event that the Process Agent (or any substitute process agent notified to the Bank in accordance with the foregoing) cannot be found at the address specified above (or, as the case may be, notified to the Bank), which will be conclusively proved by the affidavit of a process server to that effect, the authority of the Process Agent as agent to accept service shall be deemed to have ceased and service of documents may be effected in accordance with the procedure provided by the relevant law. In case, however, that such Process Agent is found at any other address, the Bank shall have the right to serve the documents either on the Process Agent at such address or in accordance with the procedure provide by the relevant law.

13.11. (**Confidentiality**).

a) Each of the parties hereto agree and undertake to keep confidential any documentation and any confidential information concerning the business, affairs, directors or employees of the other which comes into its possession during this Agreement and not to use any such documentation, information for any purpose other than for which it was provided.

b) The Borrower acknowledges and accepts that the Bank may be required by law or that it may be appropriate for the Bank to disclose information and deliver documentation relating to the Borrower and the transactions and matters in relation to this Agreement and/or the other Security Documents to governmental or regulatory agencies and authorities.

c) The Borrower acknowledges and accepts that in case of occurrence of any of the Events of Default the Bank may disclose information and deliver documentation relating to the Borrower and the transactions and matters in relation to this Agreement and/or the other Security Documents to third parties including in particular any technical advisors, accountants and legal advisors to the extend that this is necessary for the enforcement or the contemplation of enforcement of the Bank's rights or for any other purpose for which in the opinion of the Bank, such disclosure should be useful or appropriate for the interests of the Bank or otherwise and the Borrower expressly authorises any such disclosure and delivery.

d) The Borrower acknowledges and accepts that the Bank may be prohibited or it may be inappropriate for the Bank to disclose information to the Borrower by reason of law or duties of confidentiality owed or to be owed to other persons.

13.12. (**Law and Jurisdiction**).

a) This Agreement and any non-contractual obligations connected with this Agreement shall be governed by and construed in accordance with Greek Law.

b) Any dispute arising out of or in connection with this Agreement is subject to the exclusive jurisdiction of the courts of Piraeus, Greece. The foregoing provision, which is for the benefit of the Bank, shall not limit the right of the Bank to start proceedings in any other court or any other country.

c) If it is decided by the Bank that any such proceedings should be commenced in any other country, then any objections as to the jurisdiction or any claim as to the inconvenience of the forum is hereby waived by the Borrower and it is agreed and undertaken by the Borrower to instruct lawyers in that country to accept service of legal process and not to contest the validity of such proceedings as far as the jurisdiction of the court or courts involved is concerned.

IN WITNESS whereof the parties hereto have caused this Agreement to be duly executed the day and year first above written.

SIGNED by
Mr. Andreas Nikolaos Michalopoulos /s/ Andreas Nikolaos Michalopoulos
for and on behalf of
the Borrower
BIKAR SHIPPING COMPANY INC.,
in the presence of
Liliy Timayeni
Attorney at Law, Pireaus Bar
57 Notara Str., 18535 Piraeus

SIGNED by
CHRISTINA MARGELOU /s/ CHRISTINA MARGELOU

and by
KRIKOR JANIKIAN /s/ KRIKOR JANIKIAN
for and on behalf of
EMPORIKI BANK OF GREECE S.A.
in the presence of

SCHEDULE 1

INSURANCE REQUIREMENTS

This Schedule is an integral part of the Agreement to which it is attached and the Security Documents.

1. DEFINITIONS

1.01. Words and expressions used in this Schedule shall have the meanings given thereto in the agreement to which this Schedule is attached and the following expressions shall have the meanings listed below:

"Approved Brokers" means such firm of insurance brokers, appointed by the Owner, as may from time to time be approved by the Bank in writing for the purposes of this Schedule;

"Excess risks" means the proportion (if any) of claims for general average, salvage and salvage charges and under the ordinary collision clause not recoverable in consequence of the value at which a vessel is assessed for the purpose of such claims exceeding its insured value;

"Insurance Requirements" means all the terms and conditions in this Schedule or any other provision concerning Insurances in any other Clause of the agreement to which this Schedule is attached and all such terms and conditions are an integral part of the agreement to which they are attached;

"Insurances" in respect of a vessel means all policies and contracts of insurance (including, without limitation, all entries of such vessel in a protection and indemnity, war risks or other mutual insurance association) which are from time to time in place or taken out or entered into by or for the benefit of its Owner (whether in the sole name of its Owner or in the joint names of its Owner and the Bank) in respect of such vessel and its earnings or otherwise howsoever in connection with such vessel and all benefits of such policies and/or contracts (including all claims of whatsoever nature and return of premiums);

"Loss Payable Clauses" means the provisions regulating the manner of payment of sums receivable under the Insurances which are to be incorporated in the relevant insurance document, such Loss Payable Clauses to be in the forms set out in paragraph 4 of this Schedule, or such other form as the Bank may from time to time agree in writing;

"Owner" means the owner of a vessel which should be insured and be maintained insured pursuant to these Insurance Requirements in accordance with any agreement to which these Insurance Requirements are attached;

"Protection and indemnity risks" means the usual risks (including oil pollution and freight, demurrage and defence cover) covered by a protection and indemnity association that is a member of the International Group of Protection and Indemnity Associations including 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 therein of clause 8 of the Institute Time Clauses (Hulls) (1/11/95) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision);

"War risks" includes the risk covered by the standard form of English marine policy with Institute War and Strikes Clauses Hulls-Time (1/11/95) attached or similar cover.

2. INSURANCES TO BE EFFECTED AND MAINTAINED

2.01. The insurance which must be effected and maintained in accordance with the provisions of the agreement to which these Insurance Requirements are attached should be in the name of the Owner and as follows:

a. **Hull and Machinery**

insurance against fire and usual marine risks on an agreed value basis, on a full cover/all risks basis according to English, American [or Norwegian] Hull Clauses with a reasonable deductible and upon such terms as shall from time to time be approved in writing by the Bank; and

b. **War Risks Insurance**

insurance against War risks according to the London Institute War Clauses or equivalent, on an agreed value basis attaching also the so called war protection clauses including liabilities in respect of pollution and damage to cargo. In this case crew war liabilities insurance shall also have to be effected separately; and

c. **Increased Value**

increased value insurance (Total Loss only, including Excess Liabilities) as per the applicable English, American Institute [or Norwegian] Clauses (Disbursement/Increased Value/ Excess Liabilities) up to an amount not exceeding the Insurance Amount specified in Clause 3.03 below; and

d. **Protection and Indemnity**
insurance against all protection and indemnity risks including pollution for the full value and tonnage of the vessel insured (as approved in writing by the Bank) according to the relevant rules and deductibles of a club or association which is a member of the International Group of Protection and Indemnity Associations. If any risks are excluded or the deductibles as provided by the rules are altered, the prior written consent of the Bank shall be required. In case that crew liabilities (including without limitation loss of life, injury or illness) have been entirely excluded from the association cover or insured on a deductible excess basis, (always subject to the prior written consent of the Bank) such liabilities shall have to be further insured separately with other underwriters acceptable to the Bank and upon such terms as shall from time to time be approved in writing by the Bank; and

e. **FD & D Insurance**
Freight, Demurrage and Defence insurance as per the terms and conditions of a mutual club or association acceptable to the Bank; and

f. **Pollution Liability Insurance**
an extra insurance in respect of excess Oil Pollution Liability (including -if the vessel insured is a tanker- the Civil Liability Convention certificate) including full cover of pollution risks for the amount up to the maximum commercially available limit and upon such terms as shall be commercially available and accepted by the Bank; and

g. **USA Pollution Risk Insurance**
(in case that the vessel is scheduled to operate within or nearby USA jurisdiction) to cover and keep such vessel covered with an extra insurance in respect of oil pollution liability for an amount and upon such terms as required by international and national law regulations and shall from time to time be required by the Bank; and

h. **Mortgagee's Interest Insurance**
mortgagee's interest insurance which shall be effected by the Bank in the name of the Bank, but at the expenses of the Owner including (if it is so determined by the Bank) mortgagee's additional perils (pollution) coverage or other similar insurance in respect of any pollution claims against the vessel insured upon such terms as shall from time to time be determined by the Bank; and

i. **Mortgagee's Additional Perils (Pollution) Insurance**
(if so required by the Bank) mortgagee's additional perils (pollution) insurance or other similar insurance which shall be effected by the Bank in the name of the Bank, but at the expenses of the Owner, including insurance in respect of any pollution claims against the vessel insured upon such terms as shall from time to time be determined by the Bank; and

j. **Mortgage Rights Insurance**
(if so required by the Bank) mortgage rights insurance which shall be effected by the Bank in the name of the Bank, but at the expenses of the Owner, covering the legal title and rights of the Bank under the Mortgage in the flag or host country of the vessel upon such terms and in such amounts as shall from time to time be approved in writing by the Bank; and

k. **Other Insurance**
insurance in respect of such other matters of whatsoever nature and howsoever arising in respect of which the Bank would at any time reasonably require at its discretion the Vessel to be insured.

3. TERMS AND OBLIGATIONS FOR EFFECTING AND MAINTAINING INSURANCES

3.01. The Insurances to be effected in such currency as the Bank may approve and through the Approved Brokers (other than any mortgagee's interest insurance and, if the Bank requires, mortgagee's additional perils (pollution) insurance and/or any mortgage rights insurance which shall be effected through brokers nominated by the Bank) and with such insurance companies and/or underwriters as shall from time to time be approved in writing by the Bank, provided however that the insurances against war risks, protection and indemnity, FD & D cover or other mutual insurance risks may be effected by the entry of the vessel with such war, protection and indemnity or other mutual insurance associations as shall from time to time be approved in writing by the Bank.

3.02. The Insurances to be effected and maintained free of cost and expense to the Bank and in the sole name of the Owner or, if so required by the Bank, in the joint names of the relevant Owner and the Bank (but without liability on the part of the Bank for premiums or calls). All insurances to be in form and substance and under terms satisfactory to the Bank.

3.03. Unless otherwise agreed in writing by the Bank:

(a) The amount in respect of which the Insurances should be effected shall be an amount (the **"Insurance Amount"**) which will be (aa)in respect of each of hull and machinery and War risks insurances the greater of the market value of the vessel insured for the time being and 125% of an amount (the **"Amount of Debt"**) equal to the aggregate of the Loan and the Swap Exposure and (bb)in respect of mortgagee's interest insurance, (and if the Bank requests) mortgagee's additional perils (pollution) and mortgage rights insurance 120% of the Amount of Debt.

(b) In case that the Amount of Debt is secured by more than one vessels the above percentages should be covered by the aggregate of the Insurances in respect of all such vessels.

(c) In case that the vessel insured secures by its Insurances, Amounts of Debt under more than one agreements then the above percentages apply to the aggregate of all the Amounts of Debt under all the agreements.

3.04. Any person who is obliged under the agreement to which these Insurance Requirements are attached to effect and maintain the Insurances, will be obliged jointly and severally with any other person having the same obligation to (and will ensure that the Owner, if it is a different person shall):

(a) procure and ensure that the Approved Brokers and/or the managers of any club or association through whom any of the Protection and indemnity and/or War risks insurances are placed, as the case may be, shall send to the Bank a letter of undertaking in respect of the Insurances in form and substance satisfactory to the Bank and Notice of Cancellation as per Clause 4(d) below. The Approved Brokers' letter of undertaking shall be comparable to the form recommended by Lloyd's Insurance Brokers Committee, or any subsequent LIBC form. Such brokers to further undertake to give immediate notice of any insurance being subject to the Condition Survey Warranty (J.H.115) and/or Structural Conditions Warranty (J.H.722) and/or the Classification Clause (Hulls) 29/6/89 and/or other similar conditions/clauses 30 days prior to the attachment date of any insurance bearing any of these warranties.

(b) (if any of the Insurances form part of a fleet cover), procure that the Approved Brokers shall undertake to the Bank that they shall neither set off against any claims in respect of the vessel insured any premiums due in respect of other vessels under such fleet cover or any premiums due for other insurances, nor cancel the insurance for reasons of non-payment of premiums for other vessels under such fleet cover or of premiums for such other insurances, and shall undertake to issue a separate policy in respect of the vessel insured if and when so requested by the Bank;

(c) punctually pay all premiums, calls, contributions or other sums payable in respect of all Insurances and produce all relevant receipts or other evidence of payment when so required by the Bank;

(d) at least fourteen (14) days before the Insurances expire, notify the Bank of the names of the brokers and/or the war risks and protection and indemnity risks associations proposed to be employed by the relevant Owner for the purposes of the renewal of such Insurances and of the amounts in which such Insurances are proposed to be renewed and the risks to be covered and, subject to compliance with any requirements of the Bank under the Insurance Requirements, procure that appropriate instructions for the renewal of such Insurances on the terms so specified are given to the Approved Brokers and/or to the approved war risks and protection and indemnity risks associations at least ten (10) days before the relevant Insurances expire, and that the Approved Brokers and/or the approved war risks and protection and indemnity risks associations will at least seven (7) days before such expiry (or within such shorter period as the Bank may from time to time agree) confirm in writing to the Bank as and when such renewals have been effected in accordance with the instructions so given;

(e) arrange for the execution and delivery of such guarantees or indemnities as may from time to time be required by any protection and indemnity or war risks association;

(f) deposit with the Approved Brokers (or procure the deposit of) all slips, cover notes, policies, certificates of entry or other instruments of insurance from time to time issued and procure that the interest of the Bank shall be endorsed thereon by incorporation of the relevant Loss Payable Clause and by means of a notice of assignment (signed by the Owner) in the form set out in Paragraph 4 of

this Schedule or in such other form as may from time to time be agreed in writing by the Bank, and that the Bank shall be furnished with pro forma copies thereof and a letter or letters of undertaking from the Approved Brokers in such form as shall from time to time be required by the Bank;

(g) procure that any protection and indemnity and/or war risks associations and/or hull and machinery and/or any other insurance company or underwriters in which the vessel insured is for the time being entered and/or insured shall endorse the relevant Loss Payable Clause on the relevant certificate of entry or policy and shall furnish the Bank with a copy of such certificate of entry or policy and a letter or letters of undertaking in such form as shall from time to time be required by the Bank;

(h) (if so requested by the Bank, but at the cost of the Owner) furnish the Bank from time to time with a detailed report signed by an independent firm of marine insurance brokers appointed by the Bank dealing with the Insurances maintained on the vessel insured and stating the opinion of such firm as to the adequacy thereof;

(i) do all things necessary and provide all documents, evidence and information to enable the Bank to collect or recover any moneys which shall at any time become due in respect of the Insurances;

(j) ensure that the vessel insured shall not be employed otherwise than in conformity with the terms of the Insurances (including any warranties express or implied therein) without first obtaining the consent of the insurers to such employment and complying with such requirements as to extra premium or otherwise as the insurers may prescribe;

(k) apply all sums receivable under the Insurances which are paid to the Owner in accordance with the Loss Payable Clauses in repairing all damage and/or in discharging the liability in respect of which such sums shall have been received; and

(I) (in case that the vessel is scheduled to operate or operates within or nearby USA jurisdiction) make all the Protection & Indemnity Club US Voyage Quarterly Declarations for each quarter in time and send copies of same to the Bank on an annual basis.

3.05. Fleet Cover is permitted only subject to the prior written approval of the Bank, to the conditions set out in 3.04(b) above and the Bank's prior express written approval of fleet aggregate deductibles.

4. LOSS PAYABLE CLAUSES AND CANCELLATION CLAUSE

A. The Loss Payable Clauses to be attached to the relevant Insurances should be substantially in the following form:

a) **HULL AND MACHINERY (MARINE AND WAR RISKS)**

It is noted that by an Insurance Assignment and a Mortgage granted by _____ (the **"Owner"**) in favour of EMPORIKI BANK OF GREECE S.A. acting through its office at 1 Korai Street, Athens 105 64, Greece (the **"Mortgagee"**) all the Owner's rights, title and interest in and to all policies and contracts of insurance from time to time taken out or entered into by or for the benefit of the Owner including all claims of whatsoever nature and return of premia in respect of "....." have been assigned and accordingly:

(a) all claims hereunder in respect of an actual or constructive or compromised or arranged total loss, and all claims in respect of a major casualty (that is to say any casualty the claim in respect of which exceeds United States Dollars 750,000 inclusive of any deductible) shall be paid in full to the Mortgagee or to its order; and

(b) all other claims hereunder shall be paid in full to the Owner or to its order, unless and until the Mortgagee shall have notified the insurers hereunder to the contrary, whereupon all such claims shall be paid to the Mortgagee or to its order.

b) **PROTECTION AND INDEMNITY RISKS**

Payment of any recovery which _____of _____ (the **"Owner"**) is entitled to make out of the funds of the Association in respect of any liability, costs or expenses incurred by the Owner, shall be made to the Owner or to its order, unless and until the Association receives notice to the contrary from EMPORIKI BANK OF GREECE S.A. acting through its office at 1 Korai Street, Athens 105 64, Greece (the **"Mortgagee"**) in which event all recoveries shall thereafter be paid to the Mortgagee or to its order; provided that no liability whatsoever shall attach to the Association, its managers or their agents for failure to comply with the latter obligation until the expiry of two clear business days from the receipt of such notice.

B. NOTICE OF CANCELLATION

The Owner to procure that an undertaking of the brokers/insurers be given to the Mortgagee along the following terms:

Notice of Cancellation of Insurances will be given to EMPORIKI BANK OF GREECE S.A. acting through its office at 1 Korai Street, Athens 105 64, Greece (the **"Mortgagee")** in any of the following cases:

(1) immediately of any material changes which are proposed to be made in the terms of the Insurances or if the insurers cease to be insurers for any purposes connected with the Insurances;

(2) not later than fourteen (14) days prior to the expiry of any of the Insurances if instructions have not been received for the renewal thereof and, in the event of instructions being received to renew, of the details thereof;

(3) immediately of any instructions or notices received by insurers with regard to the cancellation or invalidity of any of the Insurances aforesaid; and

(4) immediately if the insurers give notice of their intention to cancel the Insurances, provided that the insurers will not exercise any rights of cancellation by reason of unpaid premiums without giving the Bank fourteen (14) days, from the receipt of which to remit the sums due.

(5) immediately if a broker institutes cancellation by way of a broker's cancellation clause.

C. NOTICE OF ASSIGNMENT

The notice of assignment shall be in the following form:

Form of Notice of Assignment
(For attachment by way of endorsement to the Policy)

_____ of _____ the Owners of the m.v. "_____", under _____ flag, Official Registration No _____, HEREBY GIVE NOTICE that by an Insurance Assignment made the _____ day of ____ _____ and entered into by us with EMPORIKI BANK OF GREECE S.A. acting through its office at 1 Korai Street, Athens 105 64, Greece Greece, there has been assigned by us to EMPORIKI BANK OF GREECE S.A. acting through its office at 1 Korai Street, Athens 105 64, Greece as Mortgagees of the said Vessel all rights, title and interest in and to all policies and contracts of insurance from time to time taken out or entered into by or for the benefit of the Owners, all insurances in respect thereof, including the insurances constituted by the Policy whereon this notice is endorsed and the Owner has authorised the Mortgagee to have access and/or obtain any copies of the Policy(ies) and/or other information from the insurers.

Signed
For and on behalf of
Owner

Dated _____

SCHEDULE 2

FORM OF DRAWDOWN NOTICE
(referred to in Clause 2.02)

To:

EMPORIKI BANK OF GREECE S.A.
1 Korai Street, Athens 105 64,
Greece

_____, _____

US$_____ Loan - Loan Agreement dated

We refer to the above Loan Agreement and hereby give you notice that we wish to draw the Commitment in the amount of $_____ on _____, _____. We select a first Interest Period in respect of the Loan of ___ months. The funds should be credited to ...name and number of account held with the Bank.

We confirm that:

(i) we will use the proceeds of the Loan for our benefit and under our full responsibility and exclusively for the purpose specified in the Loan Agreement;

(ii) no event or circumstance has occurred and is continuing which constitutes a Default;

(iii) the representations and warranties contained in Clause 6 of the Loan Agreement and the representations and warranties contained in each of the Security Documents are true and correct at the date hereof as if made with respect to the facts and circumstances existing at such date;

(iv) the borrowing to be effected by the drawing of the Commitment will be within our corporate powers, has been validly authorised by appropriate corporate action and will not cause any limit on our borrowings (whether imposed by statute, regulation, agreement or otherwise) to be exceeded;

(v) there has been no change in the beneficial and legal ownership, management, operations or financial condition of any of the Security Parties from that previously disclosed to the Bank in writing other than _____

Words and expressions defined in the Loan Agreement shall have the same meanings when used herein.

SIGNED BY
for and on behalf of
the Borrower

in the presence of

SCHEDULE 3

FORM OF COMPLIANCE CERTIFICATE

To:
EMPORIKI BANK OF GREECE S.A.,
1 Korai Street,
Athens 105 64, Greece
(the **"Bank"**);

From:
BIKAR SHIPPING COMPANY INC.
of the Marshall Islands; and
DIANA SHIPPING INC.
of the Marshall Islands
(the **"Corporate Guarantor"**)

Date: _____

Dear Sirs,

Loan Agreement dated .... 2011 (the **"Agreement"**)

We refer to the Agreement. This certificate is given pursuant to Clause 8.01 of the Agreement. We confirm that:

(a) as of _____ **("Compliance Date")**

1. Total Debt was $_____; and

2. Total Assets were $ _____;

for the period _____, the Minimum Net Worth was $_____ and the Maximum Leverage was ___%. Therefore, the covenants contained in Clause 8.07 (a) and (b) of the Agreement (have/have not) been complied with.

(b) The cash credit balance in accounts (free of Encumbrances) in the name of the Guarantor and/or its Subsidiaries in $_____. Therefore, the covenant contained in Clause 8.07 (c) of the Agreement (has/has not) been complied with.

(c) We confirm that dividends have been declared and/or paid in the sum of $ _____

(d) We confirm that we aware of no Event of Default has occurred and is continuing and no such Event of Default will occur as a result of such payment

Signed for
DIANA SHIPPING INC and
BIKAR SHIPPING COMPANY INC.

_____
Chief Financial Officer

Note: If the statement in paragraph (d) cannot be made, the certificate should identify any Event of Default that has occurred and is continuing and the steps, if any, being taken to remedy it.

Private & Confidential

LOAN AGREEMENT
for a term loan of up to US$16,125,000
to
JEMO SHIPPING COMPANY INC,

provided by
THE BANKS AND FINANCIAL INSTITUTIONS SET OUT IN SCHEDULE 1

Arranger, Agent, Security Agent and Account Bank
NORDEA BANK FINLAND PLC, LONDON BRANCH

Swap Provider
NORDEA BANK FINLAND PLC

NORTON ROSE

Contents

THIS AGREEMENT is dated 7 February 2012 and made **BETWEEN:**

(1) **JEMO SHIPPING COMPANY INC**. as Borrower;

(2) **NORDEA BANK FINLAND PLC**, **LONDON BRANCH** as Arranger, Agent, Security Agent and Account Bank;

(3) **THE BANKS AND FINANCIAL INSTITUTIONS** whose names and addresses are set out in schedule 1 as Banks; and

(4) **NORDEA BANK FINLAND PLC** as Swap Provider.

IT IS AGREED as follows:

1 Purpose and definitions

1.1 Purpose

This Agreement sets out the terms and conditions upon and subject to which the Banks agree, according to their several obligations, to make available to the Borrower a loan of up to Sixteen million one hundred and twenty five thousand Dollars ($16,125,000) to be used for the purposes of:

(a) financing part of the acquisition cost of the Ship on or after its Delivery; and

(b) financing certain fees and expenses payable by the Borrower in connection with this Agreement.

1.2 Definitions

In this Agreement, unless the context otherwise requires:

"**Account Assignment**" means the assignment executed or (as the context may require) to be executed by the Borrower in favour of the Security Agent in respect of the Operating Account in the form set out in schedule 12;

"**Account Bank**" means Nordea Bank Finland Plc, a company incorporated in Finland with its registered office at Aleksanterinkatou 36B, FI-00020 Helsinki, Finland, acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) or such other bank as may be designated by the Agent as the Account Bank for the purposes of this Agreement and includes its successors in title;

"**Agent**" means Nordea Bank Finland Plc, a company incorporated in Finland with its registered office at Aleksanterinkatou 36B, F1-00020 Helsinki, Finland, acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) or such other person as may be appointed as agent by the Banks and the Swap Provider pursuant to clause 16.13 and includes its successors in title;

"**Applicable Accounting Principles**" means the most recent and up-to-date US GAAP applicable at any relevant time;

"**Approved Shipbrokers**" means, together, H. Clarkson & Co. Ltd. of London, Arrow Sale & Purchase (UK) Limited of London, Braemar Seascope Ltd, of London, Fearnleys NS of Oslo, RS Platou Shipbrokers of Oslo, Simpson Spence & Young of London and Maersk Brokers K/S of Copenhagen and includes their respective successors in title and "**Approved Shipbroker**" means any of them;

"**Arranger**" means Nordea Bank Finland Plc, a company incorporated in Finland with its registered office at Aleksanterinkatou 36B, Fl-00020 Helsinki, Finland, acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3), as arranger and includes its successors in title;

"**Banking Day**" means a day on which dealings in deposits in Dollars are carried on in the London Interbank Eurocurrency Market and (other than Saturday or Sunday) on which banks are open for business in London, Athens and New York City (or any other relevant place of payment under clause 6);

"**Banks**" means the banks and financial institutions set out in schedule 1 and includes their respective successors in title and Transferee Banks and "**Bank**" means any of them;

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

"**Basel II Approach**" means, in relation to a Bank, either the Standardised Approach or the relevant Internal Ratings Based Approach (each as defined in the Basel II Accord) adopted by that Bank (or its holding company) for the purposes of implementing or complying with the Basel II Accord;

"**Basel II Regulation**" means, in relation to a Bank:

(a) any law or regulation implementing the Basel II Accord; or

(b) any Basel II Approach adopted by that Bank,

but excludes any law or regulation implementing the Basel III Accord save and to the extent that it is a re-enactment of any law or regulation referred to in paragraph (a) of this definition;

"**Basel III Accord**" means, together, "Basel III: A global regulatory framework for more resilient banks and banking systems" and "Basel III: International framework for liquidity risk measurement, standards and monitoring" both published by the Basel Committee on Banking Supervision on 16th December, 2010, in either case in the form existing on the date of this Agreement;

"**Basel III Regulation**" means any law or regulation implementing the Basel III Accord save and to the extent that it re-enacts a Basel II Regulation;

"**Borrowed Money**" means Indebtedness in respect of (i) money borrowed or raised and debit balances at banks, (ii) any bond, note, loan stock, debenture or similar debt instrument, (iii) acceptance or documentary credit facilities, (iv) receivables sold or discounted (otherwise than on a non-recourse basis), (v) deferred payments for assets or services acquired excluding any sum payable to any trade creditors of the Borrower or the Ship arising in the ordinary course of business, (vi) finance leases and hire purchase contracts, (vii) swaps, forward exchange contracts, futures and other derivatives and if the agreement under which any such transaction is entered requires netting of mutual liabilities, the Indebtedness for the net amount shall be taken into account as calculated on a "marked to market" basis, (viii) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or of any of (ii) to (vii) above and (ix) guarantees in respect of Indebtedness of any person falling within any of (i) to (viii) above;

"**Borrower**" means Jemo Shipping Company Inc., a corporation incorporated in the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 and includes its successors in title;

"**Borrower's Security Documents**" means, at any relevant time, such of the Security Documents as shall have been executed by the Borrower at such time;

"**Capital Adequacy Law**" means any law or any regulation (whether or not having the force of law, but, if not having the force of law, with which a Bank or, as the case may be, its holding company habitually complies), including (without limitation) those relating to Taxation, capital adequacy, liquidity, reserve assets, cash ratio deposits and special deposits or other banking or monetary controls or requirements which affect the manner in which such Bank allocates capital resources to its obligations hereunder (including, without limitation, those resulting from the implementation or application of or compliance with the Basel II Accord, the Basel Ill Accord, any Basel II Regulation or any Basel Ill Regulation);

"**Casualty Amount**" means One million Dollars ($1,000,000) or its equivalent in any other currency;

"**Change of Control**" means if a person, or persons acting in concert (other than any combination of Permitted Holders) have the right or the ability to control, either directly or indirectly, the affairs or composition of the majority of the board of directors (or equivalent of it) of the Corporate Guarantor or the Borrower any other Security Party at any relevant time;

"**Charter**" means any time charter, pool agreement or other contract of employment in respect of the Ship with an original term in excess of twelve (12) months (without taking into account any option to extend or renew contained therein) which is entered into by the Borrower as owner of the Ship and any other person as its counterparty thereunder (including the Initial Charter);

Charter Assignment" means a specific assignment of any Charter executed or (as the context may require) to be executed by the Borrower in favour of the Security Agent in the form set out in schedule 11;

"**Charterer**" means any such person which shall enter into a Charter in respect of the Ship as the Borrower's counterparty thereunder, during the Security Period and it includes the Initial Charterer;

"**Classification**" means the highest class available to a vessel of the same type as the Ship with the Classification Society or such other class as the Agent (acting on the instructions of the Majority Banks) shall, at the request of the Borrower, have agreed in writing shall be treated as the Classification for the purposes of the Security Documents;

"**Classification Society**" means Lloyd's Register of Shipping or such other classification society which the Agent (acting on the instructions of the Majority Banks) shall, at the request of the Borrower, have agreed in writing shall be treated as the Classification Society for the purposes of the Security Documents;

"**Code**" means the International Management Code for the Safe Operation of Ships and for Pollution Prevention constituted pursuant to Resolution A. 741(18) of the International Maritime Organisation and incorporated into the International Convention for the Safety of Life at Sea 1974 (as amended) and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

"**Commitment**" means, in relation to each Bank, the aggregate amount set out opposite such Bank's name in the column headed "Commitment" in schedule 1 and/or, in the case of a Transferee Bank, the aggregate amount transferred as specified in the relevant Transfer Certificate, as reduced in each case by any relevant term of this Agreement;

"**Compliance Certificate**" means a certificate substantially in the form set out in schedule 1 to the Corporate Guarantee;

"**Compulsory Acquisition**" means requisition for title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, forfeiture or confiscation for any reason of the Ship by any Government Entity or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title;

"**Confirmation**" shall have, in relation to any continuing Designated Transaction, the meaning given to it in the Master Swap Agreement;

"**Contract**" means the memorandum of agreement dated 16 November 2011 made between the Seller and the Borrower, as the same may be amended from time to time, relating to the sale by the Seller and the purchase by the Borrower of the Ship;

"**Contract Price**" means the purchase price of the Ship under the Contract, being Thirty two million two hundred and fifty thousand Dollars ($32,250,000) or such other lesser sum in Dollars as is determined in accordance with the terms and conditions of the Contract to be the purchase price of the Ship thereunder;

"**Contribution**" means, in relation to each Bank, the principal amount of the Loan owing to such Bank at any relevant time;

"**Corporate Guarantee**" means the corporate guarantee executed or (as the context may require) to be executed by the Corporate Guarantor in favour of the Security Agent in the form set out in schedule 7;

"**Corporate Guarantor**" means Diana Shipping Inc., a corporation incorporated in the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 and includes its successors in title;

"**Creditors**" means, together, the Arranger, the Agent, the Security Agent, the Account Bank, the Swap Provider and the Banks and "**Creditor**" means any of them;

"**Deed of Covenant**" means the deed of covenant collateral to the Mortgage executed or (as the context may require) to be executed by the Borrower in favour of the Secured Creditors in the form set out in schedule 9;

"**Default**" means any Event of Default or any event or circumstance which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

"**Delivery**" means the delivery of the Ship by the Seller to, and the acceptance of the Ship by, the Borrower in accordance with the Contract;

"**Delivery Date**" means the date on which the Delivery occurs;

"**Designated Transaction**" means a Transaction which it is entered into by the Borrower with the Swap Provider pursuant to the Master Swap Agreement as contemplated by clause 2.9;

"**DOC**" means a document of compliance issued to an Operator in accordance with rule 13 of the Code;

"**Dollars**" and "**$**" mean the lawful currency of the United States of America and in respect of all payments to be made under any of the Security Documents mean funds which are for same day settlement in the New York Clearing House Interbank Payments System (or such other U.S. dollar funds as may at the relevant time be customary for the settlement of international banking transactions denominated in U.S. dollars);

"**Drawdown Date**" means any date, being a Banking Day falling not later than the Termination Date, on which the Loan is, or is to be, drawn down;

"**Drawdown Notice**" means a notice substantially in the form of schedule 3;

"**Early Termination Date**" shall have, in relation to any continuing Designated Transaction, the meaning ascribed to it in the Master Swap Agreement;

"**Earnings**" means all moneys whatsoever from time to time due or payable to the Borrower during the Security Period arising out of the use or operation of the Ship including (but without limiting the generality of the foregoing) all freight, hire and passage moneys, income arising out of pooling arrangements, compensation payable to the Borrower in event of requisition of the Ship for hire, remuneration for salvage or towage services, demurrage and detention moneys, and damages for breach (or payment for variation or termination) of any charterparty or other contract for the employment of the Ship;

"**Encumbrance**" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust arrangement or security interest or other encumbrance of any kind securing any obligation of any person or any type of preferential arrangement (including without limitation title transfer and/or retention arrangements having a similar effect);

"**Environmental Affiliate**" means any agent or employee of the Borrower or any other Relevant Party or any person having a contractual relationship with the Borrower or any other Relevant Party in connection with any Relevant Ship or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from any Relevant Ship;

"**Environmental Approval**" means any consent, authorisation, licence or approval of any governmental or public body or authorities or courts applicable to any Relevant Ship or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from any Relevant Ship required under any Environmental Law;

"**Environmental Claim**" means any and all enforcement, clean-up, removal or other governmental or regulatory actions or orders instituted or completed pursuant to any Environmental Law or any Environmental Approval together with claims made by any third party relating to damage, contribution, loss or injury, resulting from any actual or threatened emission, spill, release or discharge of a Pollutant from any Relevant Ship;

"**Environmental Laws**" means all national, international **and** state laws, rules, regulations, treaties and conventions applicable to any Relevant Ship pertaining to the pollution or protection of human health or the environment including, without limitation, the carriage of Pollutants and actual or threatened emissions, spills, releases or discharges of Pollutants;

"**Event of Default**" means any of the events or circumstances described in clause 10.1;

"**Fee Letter**" means the fee letter made or (as the context may require) to be made between the Arranger, the Agent and the Borrower in relation to certain of the fees referred to in clause 5.1;

"**Final Maturity Date**" means the earlier of (a) 28 February 2017 and (b) the date falling sixty (60) months after the Drawdown Date;

"**Flag State**" means the Commonwealth of the Bahamas or such other state or territory designated in writing by the Agent (acting on the instructions of the Majority Banks), at the request of the Borrower, as being the "**Flag State**" of the Ship for the purposes of the Security Documents;

"**Government Entity**" means and includes (whether having a distinct legal personality or not) any national or local government authority, board, commission, department, division, organ, instrumentality, court or agency and any association, organisation or institution of which any of the foregoing is a member or to whose jurisdiction any of the foregoing is subject or in whose activities any of the foregoing is a participant;

"**Group**" means the Corporate Guarantor and its Subsidiaries from time to time (and, for the avoidance of doubt, it includes the Borrower) and "**member of the Group**" shall be construed accordingly (and, for the avoidance of doubt, it is hereby clarified that Diana Containerships Inc. of the Republic of the Marshall Islands and its own Subsidiaries from time to time are not part of the Group);

"**Indebtedness**" means any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

"**Initial Charter**" means the time charterparty in respect of the Ship made between the Initial Charterer and the Borrower, which contract is, on the date of this Agreement incorporated in a recapitulation e-mail dated 6 December 2011 from the Initial Charterers brokers (LSS Brokers, Singapore) to the Borrower, as the same may be amended and/or novated from time to time with the prior written consent of the Security Agent;

"**Initial Charter Assignment**" means the Charter Assignment of the Initial Charter executed or (as the context may require) to be executed by the Borrower in favour of the Security Agent in the form set out in schedule 11;

"**Initial Charterer**" means EDF Trading Ltd. of London and includes its successors in title;

"**Insurances**" means all policies and contracts of insurance (which expression includes all entries of the Ship in a protection and indemnity or war risks association) which are from time to time during the Security Period in place or taken out or entered into by or for the benefit of the Borrower (whether in the sole name of the Borrower, or in the joint names of the Borrower and the Secured Creditors and/or the Security Agent and/or any other Creditor or otherwise) in respect of the Ship and her Earnings or otherwise howsoever in connection with the Ship and all benefits thereof (including claims of whatsoever nature and return of premiums);

"**Interest Payment Date**" means the last day of an Interest Period;

"**Interest Period**" means each period for the calculation of interest in respect of the Loan ascertained in accordance with clauses 3.2 and 3.3;

"**ISPS Code**" means the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organization now set out in Chapter XI-2 of the International Convention for the Safety of Life at Sea 1974 (as amended) as adopted by a Diplomatic conference of the International Maritime Organisation on Maritime Security in December 2002 and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

"**ISSC**" means an International Ship Security Certificate issued in respect of the Ship pursuant to the ISPS Code;

"**LIBOR**" means, in relation to any amount and for any period, the offered rate (if any) for deposits of Dollars for such amount and for the period which is:

(a) the rate for such period as displayed on Reuters page LIBOR01 (British Bankers' Association Interest Settlement Rate) (or such other page as may replace such page LIBOR01 on such system or on any other system of the information vendor for the time being designated by the British Bankers' Association to calculate the BBA Interest Settlement Rate (as defined in the British Bankers' Association's Recommended Terms and Conditions ("**BBAIRS**" terms) applicable at the relevant time) at or about 11:00 a.m. (London time) on the Quotation Date for such period; or

(b) if on such date no such rate is displayed, the rate (rounded upwards to the nearest 1/16th of one per cent) quoted to the Agent by the Reference Bank at the request of the Agent as the Reference Bank's offered rate for deposits of Dollars in an amount equal or approximately equal to the amount in relation to which LIBOR is to be determined and for a period equivalent to such period to prime banks in the London Interbank Market at or about 11:00 a.m. (London time) on the Quotation Date for such period;

"**Loan**" means the aggregate principal amount owing to the Banks under this Agreement at any relevant time;

"**Majority Banks**" means, at any relevant time, Banks (a) the aggregate of whose Contributions exceeds Sixty six point six six per cent (66.66%) of the Loan or (b) (if no principal amounts are outstanding under this Agreement) the aggregate of whose Commitments exceeds Sixty six point six six per cent (66.66%) of the Total Commitment;

"**Management Agreement**" means the management agreement made or (as the context may require) to be made between the Borrower and the Manager in a form previously agreed in writing by the Agent providing for (inter alia) the Manager to carry out the technical and commercial management of the Ship;

"**Manager**" means Diana Shipping Services S.A., a corporation incorporated in the Republic of Panama with its registered agent's registered office at Edificio Universal, Piso 12, Avenida Federico Boyd, Panama or any other person approved in writing by the Majority Banks, and includes its successors in title;

"**Manager's Undertaking**" means the undertaking and assignment executed or (as the context may require) to be executed by the Manager in favour of the Secured Creditors in the form set out in schedule 10;

"**Mandatory Cost**" means, in relation to any period, a percentage calculated by the Agent for such period at an annual rate determined by the application of the formula set out in schedule 16;

"**Margin**" means two point five zero per cent (2.50%) per annum;

"**Master Swap Agreement**" means the agreement made or (as the context may require) to be made between the Swap Provider and the Borrower, comprising a 2002 ISDA Master Agreement (including a schedule thereto) in the form set out in schedule 5 and includes any Designated Transactions from time to time entered into pursuant thereto and any Confirmations (as defined therein) from time to time exchanged thereunder and governed thereby;

"**Material Adverse Effect**" means a material adverse effect:

(a) on the business, assets, nature of assets, operations, prospects, liabilities or condition (financial or otherwise) of any Security Party, any member of the Group or the Group as a whole; or

(b) on the ability of any of the Borrower, the Corporate Guarantor, the Manager or any other Security Party to comply with any of their respective obligations under the Security Documents or any of them; or

(c) on the legality, validity or enforceability of any of the Security Documents or any of the rights or remedies of the Creditors or any of them thereunder;

"**month**" means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started, provided that (a) if the period started on the last Banking Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Banking Day in such next calendar month and (b) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no such Banking Day it shall end on the preceding Banking Day and "**months**" **and** "**monthly**" shall be construed accordingly;

"**Mortgage**" means the first priority statutory Bahamas ship mortgage over the Ship executed or (as the context may require) to be executed by the Borrower in favour of the Secured Creditors in the form set out in schedule 8;

"**Operating Account**" means an interest bearing Dollar account of the Borrower opened or (as the context may require) to be opened by the Borrower with the Account Bank with account number 0045834302 and includes any sub-accounts thereof and any other account designated in writing by the Agent to be the Operating Account for the purposes of this Agreement;

"**Operator**" means any person who is from time to time during the Security Period concerned in the operation of the Ship and falls within the definition of "Company" set out in rule 1.1.2 of the Code;

"**Permitted Encumbrance**" means any Encumbrance in favour of the Security Agent or any other Creditor created pursuant to the Security Documents and Permitted Liens;

"**Permitted Holder**" means each of Mr Simeon Palios, his wife any of his direct lineal descendants;

"**Permitted Liens**" means any lien on the Ship for master's, officer's or crew's wages outstanding in the ordinary course of trading, any lien for salvage and any ship repairer's or outfitter's possessory lien for a sum not (except with the prior written consent of the Agent) exceeding the Casualty Amount;

"**Pollutant**" means and includes pollutants, contaminants, toxic substances, oil as defined in the United States Oil Pollution Act of 1990 and all hazardous substances as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act 1980;

"**Quotation Date**" means, in respect of any period in respect of which LIBOR falls to be determined under this Agreement, the day falling two (2) Banking Days before the first day of such period;

"**Reference Bank**" means, in relation to LIBOR and Mandatory Cost, the principal London office of Nordea Bank Finland Plc or of any other bank appointed from time to time by the Agent pursuant to clause 16.21 and includes its successors in title;

"**Registry**" means such registrar, commissioner or representative of the Flag State who is duly authorised and empowered to register the Ship, the Borrower's title to the Ship and the Mortgage under the laws and flag of the Flag State;

"**Related Company**" of a person means any Subsidiary of such person, any company or other entity of which such person is a Subsidiary and any Subsidiary of any such company or entity;

"**Relevant Jurisdiction**" means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment, carries on, or has a place of business or is otherwise effectively connected;

"**Relevant Party**" means the Borrower and each member of the Group;

"**Relevant Ship**" means the Ship and any other vessel from time to time (whether before or after the date of this Agreement) owned, managed or crewed by, or chartered to, any Relevant Party;

"**Repayment Dates**" means, subject to clause 6.3, each of the dates falling at three (3) monthly intervals after the Drawdown Date, up to and including the Final Maturity Date;

"**Requisition Compensation**" means, in relation to the Ship, all sums of money or other compensation from time to time payable during the Security Period by reason of the Compulsory Acquisition of the Ship;

"**Secured Creditors**" means, together, the Agent, the Banks and the Swap Provider and "**Secured Creditor**" means any of them;

"**Security Agent**" means Nordea Bank Finland Plc, a company incorporated in Finland with its registered office at Aleksanterinkatou 36B, FI-00020 Helsinki, Finland acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) or such other person as may be appointed as security agent and trustee by the Banks, the Swap Provider and the Agent pursuant to clause 16.14 and includes its successors in title;

"**Security Documents**" means this Agreement, the Fee Letter, the Master Swap Agreement, the Mortgage, the Deed of Covenant, the Manager's Undertaking, any Charter Assignment, the Corporate Guarantee, the Account Assignment, the Share Pledge, the Swap Assignment, the Trust Deed and any other documents as may have been or shall from time to time after the date of this Agreement be executed to guarantee and/or secure all or any part of the Loan, interest thereon and other moneys from time to time owing by the Borrower or any other Security Party pursuant to this Agreement or any other Security Documents (whether or not any such document also secures moneys from time to time owing pursuant to any other document or agreement);

"**Security Party**" means, together, the Borrower, the Corporate Guarantor, the Manager or any other person who may at any time be a party to any of the Security Documents (other than the Creditors);

"**Security Period**" means the period commencing on the date of this Agreement and terminating upon discharge of the security created by the Security Documents by payment of all moneys payable thereunder;

"**Security Requirement**" means the amount in Dollars (as certified by the Agent whose certificate shall, in the absence of manifest error, be conclusive and binding on the Borrower and the other Creditors) which is, at any relevant time, one hundred and twenty five per cent (125%) of the Loan at that time;

"**Security Value**" means the amount in Dollars (as certified by the Agent whose certificate shall, in the absence of manifest error, be conclusive and binding on the Borrower and the other Creditors) which, at any relevant time, is the aggregate of (a) the market value of the Ship most recently determined in accordance with clause 8.2.2 and (b) the market value of any additional security for the time being actually provided to the Creditors pursuant to clause 8.2 as most recently determined in accordance with clause 8.2.5;

"**Seller**" means Bowline Shipping S.A. of 80 Broad Street, Monrovia, Republic of Liberia and includes their successors in title;

"**Share Pledge**" means the share pledge executed or (as the context may require) to be executed by the Corporate Guarantor in favour of the Security Agent in respect of all of the issued shares in the Borrower in the form or substantially the form set out in schedule 13;

"**Ship**" means the 81,297 dwt, 2010-built dry bulk carrier *Leto* registered in the ownership of the Borrower through the Registry under the laws and flag of the Flag State and with IMO Number 9397731, delivered by the Seller to the Borrower on the Delivery Date;

"**Ship Security Documents**" means the Mortgage, the Deed of Covenant, any Charter Assignment and the Manager's Undertaking;

"**SMC**" means a safety management certificate issued in respect of the Ship in accordance with rule 13 of the Code;

"**Subsidiary**" of a person means any company or entity directly or indirectly controlled by such person, and for this purpose "**control**" shall have the meaning given to it in clause 1.4.7;

"**Swap Assignment**" means the assignment executed or (as the context may require) to be executed by the Borrower in favour of the Security Agent in the form set out in schedule 6;

"**Swap Exposure**" means, as at any relevant time, the total sum certified by the Swap Provider to be the aggregate net amount in Dollars which would, in the absolute discretion of the Swap Provider, be an estimate of what would be payable by the Borrower to the Swap Provider under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Swap Agreement if an Early Termination Date had occurred under the Master Swap Agreement at the relevant time in relation to all continuing Designated Transactions thereunder;

"**Swap Provider**" means Nordea Bank Finland Plc, a company incorporated in Finland with its registered office at Aleksanterinkatou 36B, FI-00020 Helsinki, Finland, acting for the purposes of this Agreement and the other Security Documents through its office at 2747 Securities Services, FIN-00020 Nordea, Helsinki, Finland (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) and includes its successors in title;

"**Taxes**" includes all present and future taxes, levies, imposts, duties, fees or charges of whatever nature together with interest thereon and penalties in respect thereof and "**Taxation**" shall be construed accordingly;

"**Termination Date**" means 29 February 2012 or such other later date as the Borrower may request and the Agent (acting on the instructions of all the Banks) may in its absolute discretion consent to;

"**Total Commitment**" means, at any relevant time, the aggregate of the Commitments of all of the Banks at such time;

"**Total Loss**" means:

(a) the actual, constructive, compromised or arranged total loss of the Ship; or

(b) the Compulsory Acquisition of the Ship; or

(c) the hijacking, theft, piracy, condemnation, capture, seizure, arrest, detention or confiscation of the Ship (other than where the same amounts to the Compulsory Acquisition of the Ship) by a person (including a Government Entity, or persons acting or purporting to act on behalf of a Government Entity), unless the Ship be released and restored to the Borrower from such hijacking, theft, piracy, condemnation, capture, seizure, arrest, detention or confiscation within thirty (30) days after the occurrence thereof;

"**Transaction**" has the meaning given to it in the Master Swap Agreement;

"**Transfer Certificate**" means a certificate substantially in the form set out in schedule 4;

"**Transferee Bank**" has the meaning given to it in clause 15.3;

"**Transferor Bank**" has the meaning given to it in clause 15.3;

"**Trust Deed**" means a trust deed in the form, or substantially in the form, set out in schedule 14;

"**Trust Property**" means (a) the security, powers, rights, titles, benefits and interests (both present and future) constituted by and conferred on the Security Agent under or pursuant to the Security Documents (including, without limitation, the benefit of all covenants, undertakings, representations, warranties and obligations given, made or undertaken to the Security Agent in the Security Documents); (b) all moneys, property and other assets paid or transferred to or vested in the Security Agent or any agent of the Security Agent or any receiver or received or recovered by the Security Agent or any agent of the Security Agent or any receiver pursuant to, or in connection with, any of the Security Documents whether from any Security Party or any other person; and (c) all money, investments, property and other assets at any time representing or deriving from any of the foregoing, including all interest, income and other sums at any time received or receivable by the Security Agent or any agent of the Security Agent in respect of the same (or any part thereof); and

"**Underlying Documents**" means, together, the Contract, the Management Agreement, the Initial Charter and any other Charter and "**Underlying Document**" means any of them.

1.3 Headings

Clause headings and the table of contents are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

1.4 Construction of certain terms

In this Agreement, unless the context otherwise requires:

1.4.1 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its schedules;

1.4.2 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as amended in accordance with the terms thereof, or, as the case may be, with the agreement of the relevant parties;

1.4.3 references to a **"regulation**" include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any agency, authority, central bank or government department or any self-regulatory or other national or supra-national authority and, for the avoidance of doubt, shall include any Basel II Regulation or any Basel III Regulation;

1.4.4 words importing the plural shall include the singular and vice versa;

1.4.5 references to a time of day are to London time;

1.4.6 references to a person shall be construed as references to an individual, firm, company, corporation, unincorporated body of persons or any Government Entity;

1.4.7 "**control**" means, in relation to a body corporate:

(a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise, directly or indirectly) to:

(i) cast, or control the casting of, more than 50 per cent of the maximum number of votes that might be cast at a general meeting of such body corporate; or

(ii) appoint or remove all, or the majority, of the directors or other equivalent officers of such body corporate; or

(iii) give directions with respect to the operating and financial policies of such body corporate with which the directors or other equivalent officers of such body corporate are obliged to comply; or

(b) the holding beneficially of more than 50 per cent of the issued share capital of such body corporate (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital);

1.4.8 two or more persons are "**acting in concert** if, pursuant to an agreement or understanding (whether formal or informal), they actively co-operate, through the acquisition (directly or indirectly) of shares in the Corporate Guarantor by any of them, either directly or indirectly to obtain or consolidate control of the Corporate Guarantor;

1.4.9 references to a "**guarantee**" include references to an indemnity or other assurance against financial loss including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and "**guaranteed**" shall be construed accordingly; and

1.4.10 references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended.

1.5 Majority Banks

Where this Agreement provides for any matter to be determined by reference to the opinion of the Majority Banks or to be subject to the consent or request of the Majority Banks or for any action to be taken on the instructions in writing of the Majority Banks, such opinion, consent, request or instructions shall (as between the Banks) only be regarded as having been validly given or issued by the Majority Banks if all the Banks shall have received prior notice of the matter on which such opinion, consent, request or instructions are required to be obtained and the relevant majority of Banks shall have given or issued such opinion, consent, request or instructions but so that (as between the Borrower and the Creditors) the Borrower shall be entitled (and bound) to assume that such notice shall have been duly received by each Bank and that the relevant majority shall have been obtained to constitute Majority Banks whether or not this is in fact the case.

1.6 Banks' Commitment

For the purposes of the definition of "**Majority Banks**" in clause 1.2 and the relevant provisions of the Security Documents, references to the Commitment of a Bank shall, if the Total Commitment has, at any relevant time, been reduced to zero, be deemed to be a reference to the Commitment of that Bank immediately prior to such reduction to zero.

2 The Total Commitment

2.1 Agreement to lend

The Banks, relying upon each of the representations and warranties in clause 7, agree to lend to the Borrower, upon and subject to the terms of this Agreement, the principal sum of up to Sixteen million one hundred and twenty five thousand Dollars ($16,125,000). The obligation of each Bank under this Agreement shall be to contribute that proportion of the Loan which, as at the Drawdown Date, its Commitment bears to the Total Commitment,

2.2 Obligations several

The obligations of the Banks under this Agreement are several according to their respective Commitments and/or Contributions; the failure of any Bank to perform such obligations or the failure of the Swap Provider to perform its obligations under the Master Swap Agreement shall not relieve any other Creditor or the Borrower of any of their respective obligations or liabilities under this Agreement or, as the case may be, the Master Swap Agreement nor shall any Creditor be responsible for the obligations of any other Creditor (except for its own obligations, if any, as a Bank or as a Swap Provider) under this Agreement or the Master Swap Agreement, respectively.

2.3 Interests several

Notwithstanding any other term of this Agreement (but without prejudice to the provisions of this Agreement relating to or requiring action by the Majority Banks) the interests of the Creditors are several and the amount due to any Creditor is a separate and independent debt. Each Creditor shall have the right to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Creditor to be joined as an additional party in any proceedings for this purpose.

2.4 Drawdown

Subject to the terms and conditions of this Agreement, the Loan shall be advanced in one amount on the Drawdown Date following receipt by the Agent from the Borrower of a Drawdown Notice not later than 10:00 a.m. on the third Banking Day before the proposed Drawdown Date which shall be a Banking Day falling not later than the Termination Date. A Drawdown Notice (a) shall be effective on actual receipt by the Agent and (b) shall, subject as provided in clause 3.6.1, be irrevocable once given.

2.5 Amount

The maximum amount of the Loan drawn down shall not exceed Sixteen million one hundred and twenty five thousand Dollars ($16,125,000) and it shall be applied in accordance with clause 1.1.

2.6 Availability

Upon receipt of a Drawdown Notice complying with the terms of this Agreement the Agent shall promptly notify each Bank and, subject to the provisions of clause 9, each of the Banks shall make available to the Agent on the Drawdown Date its portion of the Loan for payment by the Agent in accordance with clause 6.2. The Borrower acknowledges that payment of the Loan (or part thereof) to the Seller in accordance with clause 6.2 shall satisfy the obligations of the Banks to lend the Loan (or the relevant part thereof) to the Borrower.

2.7 Termination of Total Commitment

Any part of the Total Commitment which remains undrawn and uncancelled by the earlier of (a) the Drawdown Date and (b) the end of the Termination Date, shall thereupon be automatically cancelled.

2.8 Application of proceeds

Without prejudice to the Borrower's obligations under clause 8.1.3; no Creditor shall have any responsibility for the application of the proceeds of the Loan or any part thereof by the Borrower.

2.9 Derivative transactions

2.9.1 If, at any time during the Security Period, the Borrower wishes to enter into interest rate swap or other derivative transactions with the Swap Provider for any purpose whatsoever, including for the benefit of the Group and/or for the purpose of hedging all or any part of its exposure under this Agreement to interest rate fluctuations, it shall advise the Swap Provider in writing.

2.9.2 Any such swap or other derivative transaction shall be concluded with the Swap Provider under the Master Swap Agreement provided however that no such swap or other derivative transaction shall be concluded unless the Swap Provider first agrees to it in writing. For the avoidance of doubt, other than the Swap Provider's agreement in writing referred to in the preceding sentence no prior approval is required by the Borrower from all or any of the other Creditors before concluding any such swap or other derivative transaction. If and when any such swap or other derivative transaction has been concluded, it shall constitute a Designated Transaction, and the Borrower shall sign a Confirmation with the Swap Provider and advise the Agent promptly after concluding any Designated Transaction.

3 Interest and Interest Periods

3.1 Normal interest rate

The Borrower shall pay interest on the Loan in respect of each Interest Period relating thereto on each Interest Payment Date (or, in the case of Interest Periods of more than three (3) months, by instalments, the first instalment being due three (3) months from the commencement of the Interest Period and the subsequent instalments at intervals of three (3) months thereof or, if shorter, the period from the date of the preceding instalment until the Interest Payment Date relative to such Interest Period) at the rate per annum determined by the Agent to be the aggregate of (a) the Margin, (b) LIBOR for such Interest Period and (c) Mandatory Cost (if any).

3.2 Selection of Interest Periods

The Borrower may by notice received by the Agent not later than 10:00 a.m. on the third Banking Day before the beginning of each Interest Period specify whether such Interest Period shall have a duration of one (1) month, two (2) months, three (3) months, six (6) months or such other period (subject to availability) as the Borrower may select and the Agent (acting on the instructions of all Banks) may agree.

3.3 Determination of Interest Periods

Every Interest Period shall be of the duration required by, or specified by the Borrower pursuant to, clause 3 2 but so that:

3 3.1 the first Interest Period shall commence on the Drawdown Date and each subsequent Interest Period shall commence on the last day of the previous Interest Period;

3.3.2 if any Interest Period would otherwise overrun a Repayment Date, then, in the case of the last Repayment Date such Interest Period shall end on such Repayment Date, and in the case of any other Repayment Date or Repayment Dates the Loan shall be divided into parts so that there is one part in the amount of the repayment instalment or instalments due on each Repayment Date falling during that Interest Period and having an Interest Period ending on the relevant Repayment Date and another part in the amount of the balance of the Loan having an Interest Period ascertained in accordance with clause 3.2 and the other provisions of this clause 3.3; and

3.3.3 if the Borrower fails to specify the duration of an Interest Period in accordance with the provisions of clause 3.2 and this clause 3.3 such Interest Period shall have a duration of three (3) months or such other period as shall comply with this clause 3.3.

3.4 Default interest

If the Borrower fails to pay any sum (including, without limitation, any sum payable pursuant to this clause 3.4) on its due date for payment under any of the Security Documents (other than the Master Swap Agreement), the Borrower shall pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate determined by the Agent pursuant to this clause 3.4. The period beginning on such due date and ending on such date of payment shall be divided into successive periods of not more than three (3) months as selected by the Agent, each of which (other than the first, which shall commence on such due date) shall commence on the last day of the preceding such period. The rate of interest applicable to each such period shall be the aggregate (as determined by the Agent) of (a) two per cent (2%) per annum, (b) the Margin, (c) LIBOR for such period and (d) Mandatory Cost, if any. Such interest shall be due and payable on the last day of each such period as determined by the Agent and each such day shall, for the purposes of this Agreement, be treated as an Interest Payment Date, provided that if such unpaid sum is an amount of principal which became due and payable by reason of a declaration by the Agent under clause 10.2.2 or a prepayment pursuant to clauses 4.3, 8.2.1(a) or 12.1, on a date other than an Interest Payment Date relating thereto, the first such period selected by the Agent shall be of a duration equal to the period between the due date of such principal sum and such Interest Payment Date and interest shall be payable on such principal sum during such period at a rate of two per cent (2%) above the rate applicable thereto immediately before it shall have become so due and payable. If, for the reasons specified in clause 3.6.1, the Agent is unable to determine a rate in accordance with the foregoing provisions of this clause 3.4, each Bank shall promptly notify the Agent of the cost of funds to such Bank and interest on any sum not paid on its due date for payment shall be calculated at a rate determined by the Agent to be two per cent (2%) per annum above the aggregate of the Margin and the cost of funds to such Bank (including Mandatory Cost, if any).

3.5 Notification of Interest Periods and interest rate

The Agent shall notify the Borrower and the Banks promptly of the duration of each Interest Period and of each rate of interest (or, as the case may be default interest) determined by it under this clause 3.

3.6 Market disruption; non-availability

3.6.1 If and whenever, at any time prior to the commencement of any Interest Period:

(a) the Agent shall have determined (which determination shall, in the absence of manifest error, be conclusive) that adequate and fair means do not exist for ascertaining LIBOR during such Interest Period; or

(b) the Reference Bank does not supply the Agent with a quotation for the purposes of calculating LIBOR (where such a quotation is required having regard to paragraph (b) of the definition of "LIBOR" in clause 1.2); or

(c) the Agent shall have received notification from Banks whose aggregate Contributions are not less than one-third (1/3rd) of the Loan or (prior to the Drawdown Date whose aggregate Commitments are not less than one-third (1/3rd) of the Total Commitment), that deposits in Dollars are not available to such Banks in the London Interbank Market in the ordinary course of business in sufficient amounts to fund the Loan or their Contributions for such Interest Period or that LIBOR does not accurately reflect the cost to such Banks of obtaining such deposits,

the Agent shall forthwith give notice (a "**Determination Notice**") thereof to the Borrower and to each of the Banks and the Swap Provider. A Determination Notice shall contain particulars of the relevant circumstances giving rise to its issue. After the giving of any Determination Notice the undrawn amount of the Total Commitment shall not be borrowed until notice to the contrary is given to the Borrower by the Agent.

3.6.2 During the period of ten (10) days after any Determination Notice has been given by the Agent under clause 3.6.1, each Bank shall certify an alternative basis (the "**Alternative Basis**") for funding its Commitment and/or for maintaining its Contribution. The Alternative Basis may at the relevant Bank's sole and unfettered discretion (without limitation) include alternative interest periods, alternative currencies or alternative rates of interest but shall include a margin above the cost of funds to such Bank (including Mandatory Cost, if any) equivalent to the Margin. The Agent shall calculate the arithmetic mean of the Alternative Bases provided by the relevant Banks (the "**Substitute Basis**") and certify the same to the Borrower, the Banks and the Swap Provider. The Substitute Basis so certified shall be binding upon the Borrower and shall take effect in accordance with its terms from the date specified in the Determination Notice until such time as the Agent notifies the Borrower that none of the circumstances specified in clause 3.6.1 continues to exist whereupon the normal interest rate fixing provisions of this Agreement shall apply.

4 Repayment and prepayment

4.1 Repayment

The Borrower shall repay the Loan by twenty (20) repayment instalments, one such instalment to be repaid on each of the Repayment Dates. Subject to the provisions of this Agreement, the amount of each of the first to the nineteenth instalments (inclusive) shall be Two hundred and fifty two thousand Dollars ($252,000) and the amount of the twentieth and final instalment shall be Eleven million three hundred and thirty seven thousand million Dollars ($11,337,000) (comprising a repayment instalment of Two hundred and fifty two thousand Dollars ($252,000) and a balloon payment of Eleven million eighty five thousand Dollars ($11,085,000)).

If the Total Commitment is not drawn in full, the amount of each repayment instalment (including the balloon payment) shall be reduced proportionately.

4.2 Voluntary prepayment

The Borrower may prepay the Loan in whole or in part (being Two hundred and fifty thousand Dollars ($250,000) or any larger sum which is an integral multiple of Two hundred and fifty thousand Dollars ($250,000)), in each case on any Interest Payment Date relating to the part of the Loan to be repaid, without premium or penalty but subject to clause 11.1 and the other provisions of this clause 4.

4.3 Mandatory prepayment on Total Loss or sale

4.3.1 Before the Drawdown Date

On the Ship becoming a Total Loss (or suffering damage or being involved in an incident which in the opinion of the Agent may result in the Ship being subsequently determined to be a Total Loss) before the Drawdown Date, the obligation of the Banks to advance the Loan shall immediately cease and the Total Commitment shall be reduced to zero.

4.3.2 After the Drawdown Date

On the date falling one hundred and eighty (180) days after that on which the Ship became a Total Loss or, if earlier, on the date upon which the insurance proceeds in respect of such Total Loss are, or Requisition Compensation is, received by the Borrower (or the Security Agent or any other Creditors pursuant to the Ship Security Documents), or immediately prior to the completion of the sale of the Ship by the Borrower to any person, the Borrower shall prepay the Loan in full together with interest thereon, and all other amounts owing under this Agreement and the other Security Documents.

4.3.3 Interpretation

For the purposes of this Agreement and the other Security Documents, a Total Loss shall be deemed to have occurred:

(a) in the case of an actual total loss of the Ship, on the actual date and at the time the Ship was lost or, if such date is not known, on the date on which the Ship was last reported;

(b) in the case of a constructive total loss of the Ship, upon the date and at the time notice of abandonment of the Ship is given to the insurers of the Ship for the time being;

(c) in the case of a compromised or arranged total loss of the Ship, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the insurers of the Ship;

(d) in the case of Compulsory Acquisition, on the date upon which the relevant requisition of title or other compulsory acquisition occurs; and

(e) in the case of hijacking, theft, piracy, condemnation, capture, seizure, arrest, detention or confiscation of the Ship (other than where the same amounts to Compulsory Acquisition of the Ship) by any person (including a Government Entity, or persons purporting to act on behalf of a Government Entity), which deprives the Borrower of the use of the Ship for more than thirty (30) days, upon the expiry of the period of thirty (30) days after the date upon which the relevant hijacking, theft, piracy, condemnation, capture, seizure, arrest, detention or confiscation occurred.

4.4 Amounts payable on prepayment

Any prepayment of all or part of the Loan under this Agreement shall be made together with accrued interest on the amount to be prepaid to the date of such prepayment, any additional amount payable under clause 6.6 or clause 12.2 and all other sums payable by the Borrower under this Agreement or any of the other Security Documents including, without limitation, any accrued commitment commission and any amounts payable under clause 11.

4.5 Notice of prepayment; reduction of repayment instalments; re-borrowing

4.5.1 No prepayment may be effected under clause 4.2 unless the Borrower shall have given the Agent at least five (5) Banking Days' prior written notice of its intention to make such prepayment. Every notice of prepayment shall be effective only on actual receipt by the Agent, shall be irrevocable, shall specify the amount to be prepaid and shall oblige the Borrower to make such prepayment on the date specified.

4.5.2 Any amount prepaid pursuant to clause 4.2 or clause 8.2.1(a) shall be applied in reducing the repayment instalments under clause 4.1 (including the balloon payment) proportionately.

4.5.3 No amount prepaid under this Agreement may be reborrowed.

4 5.4 The Borrower may not prepay the Loan or any part thereof save as expressly provided in this Agreement.

4.6 Unwinding of Designated Transactions

On or prior to any repayment or prepayment of all or part of the Loan (including, without limitation, pursuant to clauses 4.2, 4.3 or 8.2.1(a) or any other provision of this Agreement), the Borrower shall, upon the request of the Agent (acting on the instructions of the Banks), wholly or partially reverse, offset, unwind, cancel, close out, net out or otherwise terminate one or more of the continuing Designated Transactions at that time.

5 Fees and expenses

5.1 Fees

The Borrower shall pay to the Agent:

5.1.1 for the account of the Arranger, an arrangement fee of such amount and payable at such time as specified in the Fee Letter; and

5.1.2 for the account of each Bank (i) if the Drawdown Date occurs by 28 February 2012, on the day falling one day before the Drawdown Date or (ii) if the Drawdown Date does not occur by 28 February 2012, on 28 February 2012 and on the last day of each calendar month thereafter, until the earlier of (a) the Drawdown Date and (b) the Termination Date, and on the earlier of such dates,

commitment commission computed from 22 December 2011 (in the case of the first payment of commission) and from the due date of the preceding payment of commission (in the case of each subsequent payment) at the rate of zero point five zero per cent (0.50%) per annum on the daily undrawn amount of such Bank's Commitment.

The fees and commissions referred to in this clause 5.1 shall be payable by the Borrower to the Agent, whether or not any part of the Total Commitment is ever advanced and shall be, in each case, non-refundable.

5.2 Expenses

The Borrower shall pay to the Agent on a full indemnity basis on demand all expenses (including legal, printing and out-of-pocket expenses) incurred by any Creditor:

5.2.1 in connection with the negotiation, preparation, execution and, where relevant, registration of the Security DoCuments and of any amendment or extension of or the granting of any waiver or consent under, any of the Security Documents and the syndication of the Loan; and

5.2.2 in contemplation of, or otherwise in connection with, the enforcement of, or preservation of any rights under, any of the Security Documents, or otherwise in respect of the moneys owing under any of the Security Documents,

together with interest at the rate referred to in clause 3.4, from the date on which such expenses were incurred to the date of payment (as well after as before judgment).

5.3 Value added Tax

All fees and expenses payable pursuant to this clause 5 and/or pursuant to the Security Documents shall be paid together with value added tax or any similar tax (if any) properly chargeable thereon. Any value added tax chargeable in respect of any services supplied by the Creditors or any of them under this Agreement shall, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

5.4 Stamp and other duties

The Borrower shall pay all stamp, documentary, registration or other like duties or taxes (including any duties or taxes payable by, or assessed on, the Creditors or any of them) imposed on or in connection with any of the Underlying Documents and the Security Documents or the Loan and shall indemnify the Creditors or any of them against any liability arising by reason of any delay or omission by the Borrower to pay such duties or taxes.

6 Payments and taxes; accounts and calculations

6.1 No set-off or counterclaim

The Borrower acknowledges that in performing its obligations under this Agreement the Banks will be incurring liabilities to third parties in relation to the funding of amounts to the Borrower, such liabilities matching the liabilities of the Borrower to the Banks and that it is reasonable for the Banks to be entitled to receive payments from the Borrower gross on the due date in order that the Banks are put in a position to perform their matching obligations to the relevant third parties. Accordingly, all payments to be made by the Borrower under any of the Security Documents shall be made in full, without any set-off or counterclaim whatsoever and, subject as provided in clause 6.6, free and clear of any deductions or withholdings, in Dollars on the due date to the account of the Agent at such bank and in such place as the Agent may from time to time specify for this purpose. Save as otherwise provided in this Agreement or any relevant Security Documents such payments shall be for the account of all the Banks and the Agent or, as the case may be, the Security Agent shall forthwith distribute such payments in like funds as are received by the Agent or, as the case may be, the Security Agent to the Banks rateably in accordance with their respective Commitment or (following drawdown) Contribution as the case may be.

6.2 Payment by the Banks

All sums to be advanced by the Banks to the Borrower under this Agreement in respect of the Loan shall be remitted in Dollars on the Drawdown Date to the account of the Agent with such bank as the Agent may have notified to the Banks and shall be paid by the Agent on such date in like funds as are received by the Agent to the account specified in the Drawdown Notice.

6.3 Non-Banking Days

When any payment under any of the Security Documents would otherwise be due on a day which is not a Banking Day, the due date for payment shall be extended to the next following Banking Day unless such Banking Day falls in the next calendar month in which case payment shall be made on the immediately preceding Banking Day.

6.4 Calculations

All interest and other payments of an annual nature under any of the Security Documents shall accrue from day to day and be calculated on the basis of actual days elapsed and a three hundred and sixty (360) day year.

6.5 Certificates conclusive

Any certificate or determination of the Agent or the Security Agent or any Bank as to any rate of interest or any other amount pursuant to and for the purposes of any of the Security Documents shall, in the absence of manifest error, be conclusive and binding on the Borrower and (in the case of a certificate of determination by the Agent or the Security Agent), on the other Creditors.

6.6 Grossing-up for Taxes

6.6.1 If at any time the Borrower is required to make any deduction or withholding in respect of Taxes from any payment due under any of the Security Documents for the account of any Creditor or if the Agent or, as the case may be, the Security Agent is required to make any such deduction or withholding from a payment to a Bank, the sum due from the Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the relevant Creditor receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding), a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made and the Borrower shall indemnify each Creditor against any losses or costs incurred by it by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrower shall promptly deliver to the Agent any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.

6.6.2 For the avoidance of doubt, clause 6.6.1 does not apply in respect of sums due from the Borrower to the Swap Provider under or in connection with the Master Swap Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Swap Agreement shall apply.

6.7 Loan account

Each Bank shall maintain, in accordance with its usual practice, an account or accounts evidencing the amounts from time to time lent by, owing to and paid to it under the Security Documents. The Agent and the Security Agent shall maintain a control account or accounts (which shall be the "Account current" referred to in the Mortgage) showing the Loan, interest and other sums owing and/or payable by the Borrower under the Security Documents. Each such control account shall, in the absence of manifest error, be conclusive as to the amount from time to time owing by the Borrower under the Security Documents.

6.8 Agent may assume receipt

Where any sum is to be paid under this Agreement to the Agent for the account of another person, the Agent may assume that the payment will be made when due and the Agent may (but shall not be obliged to) make such sum available to the person so entitled. If it proves to be the case that such payment was not made to the Agent, then the person to whom such sum was so made available shall on request refund such sum to the Agent together with interest thereon sufficient to compensate the Agent for the cost of making available such sum up to the date of such repayment and the person by whom such sum was payable shall indemnify the Agent for any and all loss or expense which the Agent may sustain or incur as a consequence of such sum not having been paid on its due date.

6.9 Partial payments

lf, on any date on which a payment is due to be made by the Borrower under any of the Security Documents, the amount received by the Agent from the Borrower falls short of the total amount of the payment due to be made by the Borrower on such date then, without prejudice to any rights or remedies available to the Creditors or any of them under any of the Security Documents, the Agent shall apply the amount actually received from the Borrower in or towards discharge of the obligations of the Borrower under the Security Documents in the following order, notwithstanding any appropriation made, or purported to be made, by the Borrower:

6.9.1 firstly, in or towards payment, on a pro-rata basis, of any unpaid costs, expenses and fees owing to the Arranger, the Agent or the Security Agent under, or in relation to, the Security Documents;

6.9.2 secondly, in or towards payment, on a pro-rata basis, of any unpaid costs, expenses and fees owing to the Banks or the Account Bank under or in relation to, the Security Documents;

6.9.3 thirdly, in or towards payment to the Banks, on a pro-rata basis, of any accrued interest which shall have become due under any of the Security Documents (other than the Master Swap Agreement) but remains unpaid;

6.9.4 fourthly, in or towards payment to the Banks, on a pro-rata basis, for any loss suffered by reason of any such payment in respect of principal not being effected on an Interest Payment Date relating to the part of the Loan prepaid and which amounts are so payable under this Agreement;

6.9.5 fifthly, in or towards payment to the Banks, on a pro rata basis, of any principal in respect of the Loan which shall have become due but remains unpaid;

6.9.6 sixthly, in or towards payment to the Swap Provider of any sums owing to it under the Master Swap Agreement; and

6.9.7 seventhly, towards payment to the relevant person of any other sum which shall have become due under any of the Security Documents but remains unpaid (and, if more than one such sum so remains unpaid, on a pro-rata basis).

The order of application set out in clauses 6.9.3 to 6.9.5 may be varied by the Agent if the Banks so direct, without any reference to, or consent or approval from the Borrower.

7 Representations and warranties

7.1 Continuing representations and warranties

The Borrower represents and warrants to each Creditor that:

7.1.1 Due incorporation

the Borrower and each of the other Security Parties are duly incorporated and validly existing in good standing under the laws of their respective countries of incorporation as limited liability companies or corporations and have power to carry on their respective businesses as they are now being conducted and to own their respective property and other assets;

7.1.2 Corporate power

the Borrower has power to execute, deliver and perform its obligations under the Underlying Documents and the Borrower's Security Documents and to borrow the Total Commitment and each of the other Security Parties has power to execute and deliver and perform its obligations under the Security Documents and the Underlying Documents to which it is or is to be a party; all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of the same and no limitation on the powers of the Borrower to borrow will be exceeded as a result of borrowing the Loan or entering into the Master Swap Agreement;

7.1.3 Binding obligations

the Underlying Documents and the Security Documents constitute or will, when executed, constitute valid and legally binding obligations of the relevant Security Parties enforceable in accordance with their respective terms;

7.1.4 No conflict with other obligations

the execution and delivery of, the performance of its obligations under, and compliance with the provisions of, the Underlying Documents and the Security Documents by the relevant Security Parties will not:

(a) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which the Borrower or any other Security Party is subject; or

(b) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which the Borrower or any other Security Party is a party or is subject or by which it or any of its property is bound; or

(c) contravene or conflict with any provision of the constitutional documents of the Borrower or any other Security Party; or

(d) result in the creation or imposition of or oblige the Borrower or any member of the Group or any other Security Party to create any Encumbrance (other than a Permitted Encumbrance) on any of the undertakings, assets, rights or revenues of the Borrower or any member of the Group or any other Security Party;

7.1.5 No litigation

no litigation, arbitration, investigation or proceeding (administrative or otherwise) is taking place, pending or, to the knowledge of the officers of the Borrower, threatened against the Borrower or any member of the Group or any other Security Party which could have a Material Adverse Effect;

7.1.6 No filings required

save for the registration of the Mortgage under the laws of the Flag State through the Registry, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of the Underlying Documents or the Security Documents that they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Relevant Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Relevant Jurisdiction on or in relation to any of the Underlying Documents or the Security Documents and each of the Underlying Documents and the Security Documents is in proper form for its enforcement in the courts of each Relevant Jurisdiction;

7.1.7 Choice of law

the choice of English law to govern the Underlying Documents and the Security Documents (other than the Mortgage), the choice of Bahamian law to govern the Mortgage and the submission by the Security Parties therein to the non-exclusive jurisdiction of the English courts, are valid and binding;

7.1.8 No immunity

neither the Borrower nor any other Security Party nor ,any of their respective assets is entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgement, execution or other enforcement);

7 1.9 Financial statements correct and complete

the audited consolidated financial statements of the Group in respect of the financial year ended on 31 December 2010 as delivered to the Agent and/or the Arranger have been prepared in accordance with the Applicable Accounting Principles which have been consistently applied and present fairly and accurately the consolidated financial position of the Group as at such date and the consolidated results of the operations of the Group for the financial year ended on such date and, as at such date, neither the Group nor any member of the Group had any significant liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against, or provided for in such financial statements;

7.1.10 Consents obtained

every consent, authorisation, licence or approval of, or registration with or declaration to, governmental or public bodies or authorities or courts required by any Security Party to authorise, or required by any Security Party in connection with, the execution, delivery, validity, enforceability or admissibility in evidence of each of the Underlying Documents and each of the Security Documents to which it is a party, or the performance by each Security Party of its obligations under the Underlying Documents and the Security Documents to which it is a party, has been obtained or made and is in full force and effect and there has been no default in the observance of any of the conditions or restrictions (if any) imposed in, or in connection with, any of the same;

7.1.11 Shareholdings

(a) each of the Borrower and the Manager is a wholly-owned direct Subsidiary of the Corporate Guarantor; and

(b) no less than 18% of the issued share capital and of the issued voting share capital of the Corporate Guarantor is ultimately beneficially owned by Permitted Holders;

7.1.12 Compliance with laws and regulations

each of the Borrower, the Corporate Guarantor and the Manager is in compliance with the terms and conditions of all laws, regulations, agreements, licenses and concessions material to the carrying on of its business (including in relation to Taxation);

7.1.13 No Material Adverse Effect

no events, conditions, facts or circumstances exist or have arisen or occurred since 31 December 2010, which have had or could reasonably be expected to have a Material Adverse Effect;

7.1.14 Borrower's own account

in relation to the borrowing by the Borrower of the Loan or any part thereof, the performance and discharge of its obligations and liabilities under the Security Documents and the transactions and other arrangements effected or contemplated by this Agreement, the Borrower is acting for its own account and that the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure which has been implemented to combat "**money laundering**" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities (as amended)); and

7.1.15 Solvency

(a) neither the Borrower nor any other Relevant Party is unable, or admits or has admitted its inability, to pay its debts or has suspended making payments on any of its debts;

(b) neither the Borrower nor any other Relevant Party by reason of actual or anticipated financial difficulties has commenced, or intends to commence, negotiations with one or more of its creditors with a view to rescheduling any of its Indebtedness;

(c) the value of the assets of the Borrower and the other Relevant Parties is not less than their respective liabilities (taking into account contingent and prospective liabilities); and

(d) no moratorium has been, or may, in the reasonably foreseeable future be, declared in respect of any Indebtedness of the Borrower or any other Relevant Party.

7.2 Initial representations and warranties

The Borrower further represents and warrants to each Creditor that:

7.2.1 Pari passu and subordinated indebtedness

(a) the obligations of the Borrower under this Agreement and the Master Swap Agreement and the obligations of the Corporate Guarantor under the Corporate Guarantee are direct, general and unconditional obligations of the Borrower and the Corporate Guarantor, respectively, and rank at least pan passu with all other present and future unsecured and unsubordinated Indebtedness of the Borrower with the exception of any obligations which are mandatorily preferred by law and not by contract;

(b) any Indebtedness of the Borrower or the Corporate Guarantor owing to any of its respective shareholders or other members of the Group is subordinated in all respects to the Borrower's obligations under this Agreement and the Master Swap Agreement (in the case of the Borrower) and to the Corporate Guarantor's obligations under the Corporate Guarantee (in the case of the Corporate Guarantor);

7.2.2 No default under other Indebtedness

none of the Security Parties is, nor would with the giving of notice or lapse of time or the satisfaction of any other condition or combination thereof be, in breach of or in default under any agreement relating to Indebtedness to which it is a party or by which it may be bound;

7.2.3 Information - full disclosure

the information, exhibits and reports furnished by or on behalf of any Security Party to the Agent and/or the Arranger in connection with the negotiation and preparation of the Security Documents are true and accurate in all material respects and not misleading and all expressions of opinions contained therein genuinely reflect the opinions of the directors and the senior management of the Borrower and the Corporate Guarantor and are based on reasonable assumptions, do not omit material facts and all reasonable enquiries have been made to verify the facts and statements contained therein; there are no other facts the omission of which would make any fact or statement therein misleading;

7.2.4 No withholding Taxes

no Taxes are imposed by withholding or otherwise on any payment to be made by any Security Party under the Underlying Documents or the Security Documents or are imposed on or by virtue of the execution or delivery by the Security Parties of the Underlying Documents or the Security Documents or any other document or instrument to be executed or delivered under any of the Security Documents;

7.2.5 No Default

no Default has occurred and is continuing;

7.2.6 The Ship

the Ship will, on the Drawdown Date, be:

(a) in the absolute ownership of the Borrower who will on and after the Drawdown Date be the sole, legal and beneficial owner of the Ship;

(b) registered in the name of the Borrower under the laws and flag of the Flag State through the Registry;

(c) operationally seaworthy and in every way fit for service; and

(d) classed with the Classification free of all requirements and recommendations from the Classification Society;

7.2 7 Ship's employment

save for the Initial Charter, the Ship will not, on or before the Drawdown Date, be subject to any charter or contract or to any agreement to enter into any charter or contract which, if entered into after the date of the Mortgage would have required the consent of the Agent or, as the context may require, the Security Agent or the other Secured Creditors and, on the Drawdown Date, there will not be any agreement or arrangement whereby the Earnings may be shared with any other person;

7.2.8 Freedom from Encumbrances

neither the Ship, nor her Earnings, Insurances or Requisition Compensation nor the Operating Account nor any other properties or rights which are, or are to be, the subject of any of the Security Documents nor any part thereof will be, on the Drawdown Date, subject to any Encumbrance other than the Permitted Encumbrances;

7.2.9 Compliance with Environmental Laws and Approvals

except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Agent and/or the Arranger:

(a) the Borrower and the other Relevant Parties and, to the best of the Borrower's knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates have complied with the provisions of all Environmental Laws;

(b) the Borrower and the other Relevant Parties and, to the best of the Borrower's knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates have obtained all Environmental Approvals and is in compliance with all such Environmental Approvals; and

(c) neither the Borrower nor any other Relevant Party nor, to the best of the Borrower's knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates have received notice of any Environmental Claim that the Borrower or any other Relevant Party or any such Environmental Affiliate is not in compliance with any Environmental Law or any Environmental Approval;

7.2.10 No Environmental Claims

except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Agent and/or the Arranger, there is no Environmental Claim pending or, to the best of the Borrower's knowledge and belief (having made due enquiry), threatened against the Borrower or the Ship or any other Relevant Party or any other Relevant Ship or to the best of the Borrower's knowledge and belief (having made due enquiry) any of their respective Environmental Affiliates;

7.2.11 No potential Environmental Claims

except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Agent and/or the Arranger, there has been no emission, spill, release or discharge of a Pollutant from the Ship or any other Relevant Ship owned by, managed or crewed by or chartered to the Borrower nor to the best of the Borrower's knowledge and belief (having made due enquiry) from any Relevant Ship owned, managed or crewed by, or chartered to, any other Relevant Party which could give rise to an Environmental Claim;

7.2.12 Copies true and complete

the copies of the Underlying Documents delivered or to be delivered to the Agent pursuant to clause 9.1 are, or will when delivered be, true and complete copies of such documents; and such documents constitute valid and binding obligations of the parties thereto enforceable in accordance with their respective terms and there have been no amendments or variations thereof or defaults thereunder;

7.2.13 DOC and SMC

the Operator has a DOC for itself and an SMC in respect of the Ship; and

7.2.14 ISPS Code

the Borrower has a valid and current ISSC in respect of the Ship and the Ship is in compliance with the ISPS Code.

7.3 Repetition of representations and warranties

On and as of the Drawdown Date and (except in relation to the representations and warranties in clauses 7.1.11 and 7.2) on each Interest Payment Date, the Borrower shall:

7.3.1 be deemed to repeat the representations and warranties in clauses 7.1 and 7.2 as if made with reference to the facts and circumstances existing on such day; and

7.3.2 be deemed to further represent and warrant to each of the Creditors that the then latest audited financial statements delivered to the Agent and/or the Security Agent by the Borrower under clause 8.1.5 of this Agreement and clause 5.1.4 of the Corporate Guarantee have been prepared in accordance with the Applicable Accounting Principles which have been consistently applied and present fairly and accurately the financial position of the Borrower and the consolidated financial position of the Group, respectively, as at the end of the financial period to which the same relate and the results of the operations of the Borrower and the consolidated results of the operations of the Group, respectively, for the financial period to which the same relate and, as at the end of such financial period, neither the Borrower nor the Corporate Guarantor nor any other member of the Group, nor the Group had any significant liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against or provided for in, such financial statements.

8 Undertakings

8.1 General

The Borrower undertakes with each Creditor that, from the date of this Agreement and so long as any moneys are owing under any of the Security Documents and while all or any part of the Total Commitment remains outstanding, it will:

8.1.1 Notice of Default and certain other events

promptly inform the Agent of any occurrence of which it becomes aware which might adversely affect the ability of any Security Party to perform its obligations under any of the Security Documents or the Underlying Documents and, without limiting the generality of the foregoing and without prejudice to clause 8.1.6, will inform the Agent of any material litigation involving the Group or any member thereof, any Environmental Claim, any discharge of a Pollutant from the Ship or any other Relevant Ship or any other incident which may give rise to an Environmental Claim and of any Default forthwith upon becoming aware thereof and will from time to time, if so requested by the Agent, confirm to the Agent in writing that, save as otherwise stated in such confirmation, no Default has occurred and is continuing;

8 1.2 Consents and licences; compliance with laws and regulations

(a) without prejudice to clauses 7.1 and 9, obtain or cause to be obtained, maintain in full force and effect and comply in all material respects with the conditions and restrictions (if any) imposed in, or in connection with, every consent, authorisation, licence or approval of governmental or public bodies or authorities or courts and do, or cause to be done, all other acts and things which may from time to time be necessary or desirable under applicable law for the continued due performance of all the obligations of the Security Parties under each of the Security Documents and the Underlying Documents; and

(b) comply and will procure that the Corporate Guarantor will comply, with the terms and conditions of all laws, regulations, agreements, licences and concessions material to the carrying out of its business;

8.1.3 Use of proceeds

use the Loan exclusively for the purposes specified in clause 1.1;

8.1.4 Pari passu and subordination

without prejudice to the provisions of clause 8.3, ensure that:

(a) its obligations under this Agreement and the Master Swap Agreement shall at all times rank at least pari passu with all its other present and future unsecured and unsubordinated Indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract; and

(b) its Indebtedness (if any) to its shareholders or any other member of the Group is on terms acceptable to the Agent in its absolute discretion and is and shall remain at all times fully subordinated towards its obligations under this Agreement and the Master Swap Agreement;

8.1.5 Financial statements

prepare or cause to be prepared:

(a) consolidated financial statements of the Group (comprising a balance sheet statement, an income statement, a cash flow analysis and accompanying notes) in accordance with the Applicable Accounting Principles consistently applied in respect of each financial year (namely, each 12-month period ending on 31 December of each calendar year) and cause the same to be reported on by the Group's auditors;

(b) unaudited consolidated financial statements of the Group (comprising a balance sheet statement, an income statement, a cash flow analysis and accompanying notes) in accordance with the Applicable Accounting Principles consistently applied in respect of each financial quarter of each financial year (namely, each 3-month, 6-month, 9-month and 12-month periods (including on a year to date basis), respectively, ending on 31 March, 30 June, 30 September and 31 December of each calendar year),

and, in each case, deliver as many copies of the same as the Agent may reasonably require as soon as practicable but not later than:

(i) in the case of audited financial statements, one hundred and eighty (180) days after the end of the financial period to which they relate (namely, not later than 30 June of each calendar year);

(ii) in the case of unaudited financial statements, ninety (90) days after the end of the financial period to which they relate (namely, not later than 30 June, 30 September, 31 December and 31 March, respectively, of each calendar year);

8.1.6 Valuations and Compliance Certificate

(a) at the same time as the Borrower and/or the Corporate Guarantor provide the Agent and/or the Security Agent with annual audited consolidated financial statements of the Group pursuant to clause 8.1.5 of this Agreement and clause 5.1.4 of the Corporate Guarantee (namely, not later than 30 June of each calendar year) and, if a Default has occurred, at any other time as and when the Agent in its absolute discretion shall require, provide the Agent with valuations of the Ship made in accordance with clause 8.2.2;

(b) at the same time as the Borrower and/or the Corporate Guarantor provide the Agent and/or the Security Agent with consolidated financial statements of the Group pursuant to clause 8.1.5 of this Agreement and clause 5.1.4 of the Corporate Guarantee (namely, not later than 31 March, 30 June, 30 September and 31 December of each calendar year) and, if a Default has occurred, at any other time as and when the Agent in its absolute discretion shall require, deliver to the Agent a Compliance Certificate (including any supporting schedules or other information and evidence as the Agent may require) duly signed by a director and an authorised signatory of the Borrower and the Corporate Guarantor, and otherwise in accordance with clause 5.1.5 of the Corporate Guarantee;

8.1.7 Delivery of report

deliver to the Agent as many copies as the Agent may reasonably require of every material report, circular, notice or like document issued by the Borrower to its creditors generally.

8.1.8 Provision of further information

provide the Agent with such financial and other information concerning the Borrower, the other Security Parties, the Group and its members and their respective affairs (including, without limitation, financial projections of the Group on an annual consolidated basis) as the Agent, any Bank or the Swap Provider (acting through the Agent) may from time to time require and keep the Agent advised regularly of all major financial developments in relation to the Borrower, the other Security Parties and the Group and its members including, without prejudice to the generality of the foregoing, any vessels sales or purchases and any new borrowings;

8.1.9 Obligations under Security Documents

and will procure that each of the other Security Parties will, duly and punctually perform each of the obligations expressed to be assumed by it under the Security Documents and the Underlying Documents;

8.1.10 Compliance with Code

and will procure that any Operator will, comply with, and ensure that the Ship and any Operator at all times complies with, the requirements of the Code, including (but not limited to) the maintenance and renewal of valid certificates pursuant thereto throughout the Security Period;

8.1.11 Issuance of DOC and SMC

and will procure that any Operator will, promptly inform the Agent upon the issuance to any Operator of a DOC and to the Ship of an SMC or the receipt by the Borrower or any Operator of notification that its application for the same has been refused;

8.1.12 Withdrawal of DOC and SMC

and will procure that any Operator will, immediately inform the Agent if there is any threatened or actual withdrawal of its Operator's DOC or the SMC in respect of the Ship;

8.1.13 ISPS Code compliance

and will procure that the Manager or any Operator will:

(a) maintain at all times a valid and current ISSC in respect of the Ship;

(b) immediately notify the Agent in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC in respect of the Ship; and

(c) procure that the Ship will comply at all times with the ISPS Code;

8.1.14 Employment

without prejudice to the rights of the Creditors under the provisions of the other Security Documents, advise the Agent promptly of any proposed charterparty, pool agreement or other contract of employment in respect of the Ship (including any Charter) having an original duration of twelve (12) months or longer (excluding any optional extensions thereof) and

(a) deliver a certified copy of each such charterparty or other contract to the Agent forthwith after its execution;

(b) forthwith following a demand made by the Agent (acting on the instructions of the Majority Banks):

(i) execute a specific assignment (in such form as the Agent (acting on the instructions of the Majority Banks in their absolute discretion) may require) of any such charterparty or other contract in favour of the Security Agent and any notice of assignment required in connection therewith; and

(ii) procure the service of any such notice of assignment on the relevant charterer or other counterparty of the Borrower, and the acknowledgement of such notice by the relevant charterer or other counterparty;

(c) upon the Agent's request deliver to the Agent such documents and evidence of the type referred to in schedule 2, in relation to any such assignment or any other related matter referred to in this clause 8.1.14, as the Agent (acting on the instructions of the Majority Banks in their sole discretion) shall require; and

(d) pay on the Agent's demand all legal costs and other costs incurred by the Agent and/or the Banks and/or the Security Agent in connection with or in relation to any such assignment or any other related matter referred to in this clause 8.1.14;

8.1.15 Know your customer information

deliver to the Agent such documents and evidence as the Agent shall from time to time require relating to the verification of identity and knowledge of the Agent's or any Bank's, the Account Bank's or any Swap Provider's customers and the compliance by the Agent or any Bank or any Swap Provider or the Account Bank with all necessary "know your customer" or similar checks, always on the basis of applicable laws and regulations or the Agent's or any Bank's or the Swap Provider's or the Account Bank's own internal guidelines, in each case as such laws, regulations or internal guidelines apply from time to time; and

8.1.16 Money laundering

ensure that any borrowing by it and the performance of its obligations hereunder and under the other Security Documents to which it is a party will be for its own account and will not involve any breach by it of any law or regulatory measure relating to money laundering as defined in Article 1 of the directive (2005/60/EC) of the European Parliament and of the Council or any equivalent law or regulatory measure in any other jurisdiction.

8.2 Security value maintenance

8.2.1 Security shortfall

If at any time the Security Value shall be less than the Security Requirement, the Agent may and if so directed by the Majority Banks shall, give notice to the Borrower requiring that such deficiency be remedied and then the Borrower shall within a period of thirty (30) days of the date of receipt by the Borrower of the Agent's said notice either:

(a) prepay such sum in Dollars as will result in the Security Requirement after such prepayment (taking into account any other repayment of the Loan made between the date of the notice and the date of such prepayment) being equal to the Security Value; or

(b) constitute to the satisfaction of the Creditors such further security for the Loan and any amounts owing under the Master Swap Agreement as shall be acceptable to the Banks having a value for security purposes (as determined by the Agent in its absolute discretion) at the date upon which such further security shall be constituted which, when added to the Security Value, shall not be less than the Security Requirement as at such date,

and the choice between clause 8.2.1(a) and clause 8.2.1(b) shall be at the Borrower's option.

The provisions of clause 4.4 and any relevant provisions of clause 4.5 shall apply to any prepayments made under clause 8.2.1(a).

8.2.2 Valuation of Ship

(a) The Ship shall, for the purposes of this Agreement, be valued in Dollars as and when the Agent shall require (whether for the purpose of testing compliance with clause 8.2.1 or at any other time acting on the instructions of the Majority Banks) by two (2) of the Approved Shipbrokers, selected by the Borrower or, failing such selection by the Borrower, selected by the Agent (acting on the instructions of the Majority Banks in their sole discretion). Each such valuation shall not be older than 30 days, shall be addressed to the Agent (with a copy to the Borrower) and made without, unless required by the Agent, physical inspection, without taking into account the benefit of any charterparty or other engagement concerning the Ship and it shall be made on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing buyer and a willing seller. The arithmetic mean of such two (2) valuations shall constitute the value of the Ship for the purposes of this clause 8.2 and the other provisions of this Agreement and the other Security Documents.

(b) The value of the Ship determined in accordance with the provisions of this clause 8.2 shall be binding upon the parties hereto until such time as any further such valuations shall be obtained in respect of the Ship.

8.2.3 Information

The Borrower undertakes with each Creditor to supply to the Agent and to any such Approved Shipbrokers such information concerning the Ship and its condition as such Approved Shipbrokers may require for the purpose of making any such valuation.

8.2.4 Costs

All costs in connection with the Agent obtaining any valuations of the Ship referred to in clause 8.2.2, any valuation of the Ship referred to in schedule 2 and any valuation either of any additional security for the purposes of ascertaining the Security Value at any time or necessitated by the Borrower electing to constitute additional security pursuant to clause 8.2.1(b), shall be borne by the Borrower.

8.2.5 Valuation of additional security

For the purpose of this clause 8.2, the market value of any additional security provided or to be provided to the Security Agent shall be determined by the Agent in its absolute discretion without any necessity for the Agent assigning any reason thereto.

8.2.6 Documents and evidence

In connection with any additional security provided in accordance with this clause 8.2, the Agent shall be entitled to receive such evidence and documents of the kind referred to in schedule 2 as may in the Agent's opinion, be appropriate and such favourable legal opinions as the Agent shall in its absolute discretion require.

8.3 Negative undertakings

The Borrower undertakes with each Creditor that, from the date of this Agreement and so long as any moneys are owing under the Security Documents and while all or any part of the Total Commitment remains outstanding, it will not, without the prior written consent of the Agent (acting on the instructions of the Majority Banks):

8.3.1 Negative pledge

permit any Encumbrance (other than a Permitted Encumbrance) to subsist, arise or be created or extended over all or any part of its present or future undertaking, assets, rights or revenues to secure or prefer any present or future Indebtedness or other liability or obligation of any Security Party or any other person;

8.3.2 No merger

merge or consolidate with any other person or enter into any amalgamation, demerger, corporate reconstruction or redomiciliation of any type;

8.3.3 Disposals

sell, transfer, abandon, lend or otherwise dispose of or cease to exercise direct control over any part (being, either alone or when aggregated with all other disposals falling to be taken into account pursuant to this clause 8.3.3, material in the opinion of the Agent in relation to the undertaking, assets, rights and revenues of the Borrower taken as a whole) of its present or future undertaking, assets, rights or revenues (otherwise than by transfers, sales or disposals for full consideration in the ordinary course of trading but in any event excluding the assets which are subject to security created by the Security Documents) whether by one or a series of transactions related or not;

8.3.4 Other business

undertake any business other than the ownership and operation of the Ship and the chartering of the Ship to third parties;

8.3.5 Acquisitions

acquire any further assets other than the Ship and rights arising under contracts entered into by or on behalf of the Borrower in the ordinary course of its business of owning, operating and chartering the Ship;

8.3.6 Other obligations

incur any obligations except for obligations arising under the Underlying Documents or the Security Documents or contracts entered into in the ordinary course of its business of owning, operating and chartering the Ship;

8.3.7 No borrowing

incur any Borrowed Money except for Borrowed Money pursuant to the Security Documents;

8.3.8 Repayment of borrowings

repay the principal of, or pay interest on or any other sum in connection with any of its Borrowed Money except for Borrowed Money pursuant to the Security Documents;

8.3.9 Guarantees

issue any guarantees or indemnities or otherwise become directly or contingently liable for the obligations of any person, firm, or corporation, except pursuant to the Security Documents and except for guarantees or indemnities from time to time required in the ordinary course by any protection and indemnity or war risks association with which the Ship is entered, guarantees required to procure the release of the Ship from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of the Ship;

8.3.10 Loans

make any loans or grant any credit to any person or agree to do so save for normal trade credit in the ordinary course of business;

8.3.11 Sureties

permit any Indebtedness of the Borrower to any person (other than the Creditors pursuant to the Security Documents) to be guaranteed by any person (save for guarantees or indemnities from time to time required in the ordinary course by any protection and indemnity or war risks association with which the Ship is entered, guarantees required to procure the release of the Ship from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of the Ship);

8.3.12 Share capital and distribution

purchase or otherwise acquire for value any shares of its capital or distribute any of its present or future assets, undertaking, rights or revenues to any of its shareholders **provided however that** the Borrower shall be entitled to declare or pay cash dividends to its shareholders if no Event of Default has occurred and is continuing at the time of declaration or payment of such dividends nor would result from the declaration or payment of such dividends;

8.3.13 Subsidiaries

form or acquire any Subsidiaries or make an equity investment in any person;

8.3.14 Constitutional documents

change, amend or vary, or agree to permit any change, amendment or variation of, its constitutional documents or any change of its corporate or legal name;

8.3.15 Intra-Group transactions

enter into any transactions or agreements with any other member of the Group other than on an arm's length basis and for full consideration;

8.3.16 Designated Transactions

enter into any derivative transactions other than Designated Transactions;

8.3.17 Financial Year

change, permit or agree to any change in, the way of computation of its financial year; and

8.3.18 Shareholdings

change, cause or permit any change in, the legal and/or beneficial ownership of any of the shares in the Borrower or the Manager which would cause either of them to cease to be a wholly-owned direct Subsidiary of the Corporate Guarantor.

9 Conditions

9.1 Documents and evidence

The obligation of each Bank to make its Commitment available shall be subject to the condition that the Agent, or its duly authorised representative, shall have received:

9.1.1 on or prior to the giving of the Drawdown Notice for the Loan, the documents and evidence specified in Part 1 of schedule 2 in form and substance satisfactory to the Agent; and

9.1.2 on or prior to the drawdown of the Loan, the documents and evidence specified in Part 2 of schedule 2 in form and substance satisfactory to the Agent.

9.2 General conditions precedent

The obligation of each Bank to contribute to the Loan shall be subject to the further conditions that, at the time of the giving of the Drawdown Notice, and at the time of the making of the Loan:

9.2.1 the representations and warranties contained in (i) clauses 7.1, 7.2 and 7.3.2(b), (ii) clause 4 of the Corporate Guarantee and (iii) clause 3 of the Share Pledge, are true and correct on and as of each such time as if each was made with respect to the facts and circumstances existing at such time; and

9.2.2 no Default shall have occurred and be continuing or would result from the making of the Loan; and

9.2.3 no events, facts, conditions or circumstances shall exist or have arisen or occurred (and neither the Agent nor any Bank shall have become aware of other events, facts, conditions or circumstances not previously known to it), which the Agent (acting on the instructions of the Majority Banks) shall determine, has had or could reasonably be expected to have, a Material Adverse Effect.

9.3 Waiver of conditions precedent

The conditions specified in this clause 9 are inserted solely for the benefit of the Banks and may be waived by the Agent (acting on the instructions of the Majority Banks) in whole or in part and with or without conditions.

10 Events of Default

10.1 Events

There shall be an Event of Default if:

10.1.1 **Non-payment:** any Security Party fails to pay any sum payable by it under any of the Security Documents at the time, in the currency and in the manner stipulated in the Security Documents (and so that, for this purpose, sums payable on demand shall be treated as having been paid at the stipulated time if paid within three (3) Banking Days of demand); or

10.1.2 **Master Swap Agreement:** (a) an Event of Default or Potential Event of Default (in each case as defined in the Master Swap Agreement) has occurred and is continuing with the Borrower as the Defaulting Party (as defined in the Master Swap Agreement) under the Master Swap Agreement or (b) an Early Termination Event (as defined in the Master Swap Agreement) has occurred with the Borrower as the sole Affected Party (as defined in the Master Swap Agreement) has occurred or has been or will become capable of being effectively designated under the Master Swap Agreement by the Swap Provider, or

10.1.3 **Breach of Insurances and certain other obligations:** the Borrower or the Manager or any other person fails to obtain and/or maintain the Insurances in accordance with the requirements of the relevant Ship Security Documents or if any insurer in respect of the Insurances cancels the Insurances or disclaims liability by reason, in either case, of misstatement in any proposal for the Insurances or for any other failure or default on the part of the Borrower or any other person, or the Borrower commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under clauses 8.2 or 8.3 or the Corporate Guarantor commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under clauses 5.2 or 5.3 of the Corporate Guarantee; or

10.1.4 **Breach of other obligations:** any Security Party commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under any of the Security Documents (other than those referred to in clauses 10.1.1, 10.1.2 and 10.1.3 above) and, in respect of any such breach or omission which in the opinion of the Agent (following consultation with the Banks) is capable of remedy, such action as the Agent (acting on the instructions of the Majority Banks) may require shall not have been taken within thirty (30) days of the Agent notifying the relevant Security Party of such default and of such required action; or

10.1.5 **Misrepresentation:** any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party in or pursuant to any of the Security Documents or in any notice, certificate or statement referred to in or delivered under any of the Security Documents is or proves to have been incorrect or misleading in any material respect; or

10.1.6 **Cross-default**: any Borrowed Money of any Security Party or any other Relevant Party is not paid when due or any Borrowed Money of any Security Party or any other Relevant Party becomes (whether by declaration or automatically in accordance with the relevant agreement or instrument constituting the same) due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by the relevant Security Party or other Relevant Party of a voluntary right of prepayment), or any creditor of any Security Party or any other Relevant Party becomes entitled to declare any such Borrowed Money due and payable or any facility or commitment available to any Security Party or any other Relevant Party relating to Borrowed Money is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned unless the relevant Security Party or other Relevant Party shall have satisfied the Banks that such withdrawal, suspension or cancellation will not affect or prejudice in any way the relevant Security Party's or other Relevant Party's ability to pay its debts as they fall due and fund its commitments, or any guarantee given by any Security Party or any other Relevant Party in respect of Borrowed Money is not honoured when due and called upon **Provided that** the amount or aggregate amount at any one time, of all Borrowed Money of any Security Party or any other Relevant Party in relation to which any of the foregoing events shall have occurred and be continuing, is equal to or greater than Ten million Dollars ($10,000,000) or its equivalent in the currency which the same is denominated or payable. For the avoidance of doubt for the purpose of this clause 10.1.6 "Borrowed Money" shall exclude Borrowed Money owing under this Agreement and/or the other Security Documents; or

10.1.7 **Legal process**: any judgment or order made against any Security Party or other Relevant Party is not stayed or complied with within seven (7) days or a creditor attaches or takes possession of, or a distress, execution, sequestration or other process is levied or enforced upon or sued out against, any of the undertakings, assets, rights or revenues of any Security Party or other Relevant Party and is not discharged within seven (7) days; or

10.1.8 **Insolvency**: any Security Party or other Relevant Party is unable or admits inability to pay its debts as they fall due; or suspends making payments on any of its debts or announces an intention to do so; or becomes insolvent, or has assets the value of which is less than the value of its liabilities (taking into account contingent and prospective liabilities); or suffers the declaration of a moratorium in respect of any of its Indebtedness; or any corporate action legal proceedings or other procedure or step is taken in relation to any of the above; or

10.1.9 **Reduction or loss of capital**: a meeting is convened by any Security Party or other Relevant Party for the purpose of passing any resolution to purchase, reduce or redeem any of its share capital; or

10.1.10 **Winding up**: any corporate action, legal proceedings or other procedure or step is taken for the purpose of winding-up any Security Party or other Relevant Party or an order is made or resolution passed for the winding up of any Security Party or other Relevant Party or a notice is issued convening a meeting for the purpose of passing any such resolution; or

10.1.11 **Administration**: any petition is presented, notice given, or other step is taken for the purpose of the appointment of an administrator of any Security Party or other Relevant Party or the Agent believes that any such petition or other step is imminent or an administration order is made in relation to any Security Party or other Relevant Party; or

10.1.12 **Appointment of receivers and managers**: any administrative or other receiver, liquidator, compulsory manager or other similar officer is appointed of any Security Party or other Relevant Party or any part of its assets and/or undertaking or any other steps are taken to enforce any Encumbrance over all or any part of the assets of any Security Party or other Relevant Party; or

10.1.13 **Compositions**: any corporate action, legal proceedings or other procedures or steps are taken, or negotiations commenced, by any Security Party or other Relevant Party or by any of its creditors with a view to the general readjustment or rescheduling of all or part of its indebtedness or to proposing any kind of composition, compromise or arrangement involving such person and any of its creditors; or

10.1.14 **Analogous proceedings:** there occurs, in relation to any Security Party or other Relevant Party, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their assets is subject, any event which, in the reasonable opinion of the Agent, appears in that country or territory to correspond with, or have an effect equivalent or similar to, any of those mentioned in clauses 10.1.7 to 10.1.13 (inclusive) or any Security Party or other Relevant Party otherwise becomes subject, in any such country or territory, to the operation of any law relating to insolvency, bankruptcy or liquidation; or

10.1.15 **Cessation of business:** any Security Party or any other Relevant Party suspends or ceases or threatens to suspend or cease to carry on its business; or

10.1.16 **Seizure:** all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, any Security Party or any other Relevant Party are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government; or

10.1.17 **Invalidity:** any of the Security Documents shall at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Security Documents shall at any time and for any reason be contested by any Security Party which is a party thereto, or if any such Security Party shall deny that it has any, or any further, liability thereunder; or

10.1 18 **Unlawfulness:** it becomes impossible or unlawful at any time for any Security Party, to fulfil any of the covenants and obligations expressed to be assumed by it in any of the Security Documents or for a Creditor to exercise the rights or any of them vested in it under any of the Security Documents or otherwise; or

10.1 19 **Repudiation:** any Security Party repudiates any of the Security Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Security Documents; or

10.1.20 **Encumbrances enforceable:** any Encumbrance (other than Permitted Liens) in respect of any of the property (or part thereof) which is the subject of any of the Security Documents becomes enforceable; or

10.1.21 **Material Adverse Effect:** any event, condition, fact or circumstance occurs, arises or exists which, in the opinion of the Agent (acting on the instructions of the Majority Banks), has had or is reasonably expected to have a Material Adverse Effect; or

10.1.22 **Arrest:** the Ship is arrested, confiscated, seized, taken in execution, impounded, forfeited, detained in exercise or purported exercise of any possessory lien or other claim or otherwise taken from the possession of the Borrower and the Borrower shall fail to procure the release of the Ship within a period of ten (10) days thereafter; or

10.1.23 **Registration:** the registration of the Ship under the laws and flag of the Flag State is cancelled or terminated without the prior written consent of the Agent (acting on the instructions of the Majority Banks) or if such registration of the Ship is not renewed at least forty five (45) days prior to expiry of such registration; or

10.1.24 **Unrest:** the Flag State becomes involved in hostilities or civil war or there is a seizure of power in the Flag State by unconstitutional means; or

10.1.25 **Environment:** the Borrower and/or any other Relevant Party and/or any Security Party fails to comply with any Environmental Law or any Environmental Approval or the Ship or any other Relevant Ship is involved in any incident which gives rise or may give rise to an Environmental Claim; or

10.1.26 **P&I:** the Borrower or the Manager or any other person fails or omits to comply with any requirements of the protection and indemnity association or other insurer with which the Ship is entered for insurance or insured against protection and indemnity risks (including oil pollution risks) to the effect that any cover (including, without limitation, any cover in respect of liability for Environmental Claims arising in jurisdictions where the Ship operates or trades) is or may be liable to cancellation, qualification or exclusion at any time; or

10.1.27 **Shareholdings at any time**:

(a) either of the Borrower or the Manager ceases to be a wholly-owned direct Subsidiary of the Corporate Guarantor; or

(b) a Change of Control occurs; or

10.1.28 **Operating Account:** moneys are withdrawn from the Operating Account other than in accordance with clause 14; or

10.1.29 **Manager:** the Ship is managed by a person other than the Manager without the prior written consent of the Agent (acting on the instructions of the Majority Banks); or

10.1.30 **Licenses**, **etc:** any license, authorisation, consent or approval at any time necessary to enable any Security Party to comply with its obligations under the Security Documents or the Underlying Documents is revoked or withheld or modified or is otherwise not granted or fails to remain in full force and effect or if any exchange control or other law or regulation shall exist which would make any transaction under the Security Documents or the Underlying Documents or the continuation thereof, unlawful or would prevent the performance by any Security Party of any term of any of the Security Documents or the Underlying Documents; or

10.1.31 **Listing:** the shares of the Corporate Guarantor are de-listed or cease to trade permanently on the New York Stock Exchange; or

10.1.32 **Material events:** any other event occurs or circumstance arises which, in the opinion of the Agent (acting on the instructions of the Majority Banks), is likely materially and adversely to affect either (i) the ability of any Security Party to perform all or any of its obligations under or otherwise to comply with the terms of any of the Security Documents or any of the Underlying Documents or (ii) the security created by any of the Security Documents.

10.2 Acceleration

The Agent may (and if so requested by the Majority Banks shall), without prejudice to any other rights of the Agent, at any time after the happening of an Event of Default by notice to the Borrower declare that:

10.2.1 the obligation of each Bank to make its Commitment available shall be terminated, whereupon the Total Commitment shall be reduced to zero forthwith; and/or

10.2.2 the Loan and all interest and commitment commission accrued and all other sums payable under the Security Documents have become due and payable, whereupon the same shall, immediately or in accordance with the terms of such notice, become due and payable.

10.3 Demand basis

If, pursuant to clause 10.2.2, the Agent declares the Loan to be due and payable on demand, the Agent may (and if so requested by the Majority Banks shall) by written notice to the Borrower:

(a) call for repayment of the Loan on such date as may be specified whereupon the Loan shall become due and payable on the date so specified together with all interest and commitment commission accrued and all other sums payable under this Agreement; or

(b) withdraw such declaration with effect from the date specified in such notice.

10.4 Position of Swap Provider

Neither the Agent nor the Security Agent shall be obliged, in connection with any action taken or proposed to be taken under or pursuant to the foregoing provisions of this clause 10, to have any regard to the requirements of the Swap Provider except to the extent that the Swap Provider is also a Bank.

11 Indemnities

11.1 Miscellaneous indemnities

The Borrower shall on demand indemnify each Creditor, without prejudice to any of the Creditors' other rights under any of the Security Documents, against any loss (including loss of Margin) or expense which such Creditor shall certify as sustained or incurred by it as a consequence of:

11.1.1 any default in payment by the Borrower of any sum under any of the Security Documents when due; or

11.1.2 the occurrence of any other Event of Default; or

11.1.3 any prepayment of the Loan (or any part thereof) being made under clauses 4.3, 8.2.1(a) or 12.1 or any other repayment or prepayment of the Loan or part thereof being made otherwise than on an Interest Payment Date relating to the part of the Loan prepaid or repaid; or

11.1.4 the Loan not being made for any reason (excluding any default by any Creditor) after the Drawdown Notice has been given,

including, in any such case, but not limited to, any loss or expense sustained or incurred by a Bank in maintaining or funding its Contribution or, as the case may be, Commitment or any part thereof or in liquidating or re-employing deposits from third parties acquired to effect or maintain its Contribution or, as the case may be, Commitment or any part thereof or any other amount owing to such Bank, or in terminating or reversing, or otherwise in connection with, any open position of a Bank in relation to this Agreement.

11.2 Currency indemnity

If any sum due from the Borrower under any of the Security Documents or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under the relevant Security Document or under such order or judgment into another currency (the "**second currency**") for the purpose of making or filing a claim or proof against the Borrower, or (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to any of the Security Documents, the Borrower shall indemnify and hold harmless each Creditor from and against any loss suffered as a result of any difference between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency, and (ii) the rate or rates of exchange at which the relevant Creditor may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

Any amount due from the Borrower under this clause **11.2** shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of any of the Security Documents and the term "**rate of exchange**" includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

11.3 Environmental indemnity

The Borrower shall indemnify each Creditor on demand and hold it harmless from and against all costs, expenses, payments, charges, losses, demands, liabilities, actions, proceedings (whether civil or criminal), penalties, fines, damages, judgements, orders, sanctions or other outgoings of whatever nature which may be suffered, incurred or paid by, or made or asserted against such Creditor at any time, whether before or after the repayment in full of principal and interest under this Agreement, relating to, or arising directly or indirectly in any manner or for any cause or reason whatsoever out of an Environmental Claim made or asserted against such Creditor if such Environmental Claim would not have been, or been capable of being, made or asserted against such Creditor if it had not entered into any of the Security Documents and/or exercised any of its rights, powers and discretions thereby conferred and/or performed any of its obligations thereunder and/or been involved in any of the transactions contemplated by the Security Documents.

11.4 Central Bank or European Central Bank reserve requirements indemnity

The Borrower shall on demand promptly indemnify each Bank against any cost incurred or loss suffered by such Bank as a result of its complying with the minimum reserve requirements **of** the European Central Bank and/or with respect to maintaining required reserves with the relevant national Central Bank to the extent that such compliance relates to such Bank's Commitment and/or Contribution or deposits obtained by it to fund the whole or part of that Contribution and to the extent such cost or loss is not recoverable by such Bank under clause 12.2.

11.5 General indemnity

The Borrower hereby indemnifies and agrees to hold harmless the Creditors and each of their respective Related Companies and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "**Indemnified Party**") from and against any and all claims, damages, losses, liabilities, costs, legal and other expenses (altogether the "**Losses'**), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any claim, investigation, litigation or proceeding (or the preparation of any defence with respect thereto) commenced or threatened in relation to the Security Documents or any of them (or the transactions contemplated hereby or thereby) or any use made or proposed to be made with the proceeds of the Loan. This indemnity shall apply whether or not such claims, investigation, litigation or proceeding is brought by the Borrower, any other Security Party, any Relevant Party, any of their respective shareholders or creditors, an Indemnified Party or any other person, or an Indemnified Party is otherwise a party thereto, except to the extent that such Losses are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or wilful misconduct.

12 Unlawfulness and increased costs

12.1 Unlawfulness

If it is or becomes contrary to any law or regulation for any Bank to make its Contribution or to maintain its Commitment or fund its Contribution, such Bank shall promptly, through the Agent, give notice to the Borrower whereupon (a) the Total Commitment shall be reduced to zero and (b) the Borrower shall be obliged to prepay the Loan either (i) forthwith or (ii) on a future specified date not being earlier than the latest date permitted by the relevant law or regulation together with interest accrued to the date of prepayment and all other sums payable by the Borrower under this Agreement and/or the Master Swap Agreement.

12.2 Increased costs

If the result of any change in, or in the interpretation or application of, or the introduction of, any Capital Adequacy Law or compliance by a Bank with any Capital Adequacy Law, is to:

12.2.1 subject any Bank to Taxes or change the basis of Taxation of any Bank with respect to any payment under any of the Security Documents (other than Taxes or Taxation on the overall net income, profits or gains of such Bank imposed in the jurisdiction in which its principal or lending office under this Agreement is located); and/or

12.2.2 increase the cost to, or impose an additional cost on, any Bank or its holding company in making or keeping such Bank's Commitment available or maintaining or funding all or part of such Bank's Contribution; and/or

12.2.3 reduce the amount payable or the effective return to any Bank under any of the Security Documents; and/or

12.2.4 reduce any Bank's or its holding company's rate of return on its overall capital by reason of a change in the manner in which it is required to allocate capital resources to such Bank's obligations under any of the Security Documents; and/or

12.2.5 require any Bank or its holding company to make a payment or forego a return on or calculated by reference to any amount received or receivable by such Bank under any of the Security Documents; and/or

12.2.6 require any Bank or its holding company to incur or sustain a loss (including a loss of future potential profits) by reason of being obliged to deduct all or part of its Commitment or its Contribution from its capital for regulatory purposes,

then and in each such case (subject to clause 12.3):

(a) such Bank shall (through the Agent) notify the Borrower in writing of such event promptly upon its becoming aware of the same; and

(b) the Borrower shall on demand made at any time, whether or not such Bank's Contribution has been repaid, pay to the Agent for the account of such Bank the amount which such Bank specifies (in a certificate setting forth the basis of the computation of such amount but not including any matters which such Bank or its holding company regards as confidential) is required to compensate such Bank and/or (as the case may be) its holding company for such liability to Taxes, cost, reduction, payment , foregone return or loss.

For the purposes of this clause 12.2 "**holding company**" means, in relation to a Bank, the company or entity (if any) within the consolidated supervision of which such Bank is included.

12.3 Exception

Nothing in clause 12.2 shall entitle any Bank to receive any amount in respect of compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss to the extent that the same (a) is taken into account in calculating Mandatory Cost or (b) is the subject of an additional payment under clause 6.6.

12.4 Mitigation

If circumstances arise which would, or would upon the giving of notice, result in an increased payment required to be made by the Borrower under clause 6.6 or clause 12.2 then, without in any way limiting the obligations of the Borrower under either of these clauses, the relevant Bank shall following the Borrower's request use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the other Security Documents to another of its offices not affected by the circumstances which gave rise to such increased payment, but no Bank shall be under any obligation to take any such action if in its opinion, to do so would or might:

12.4.1 be prejudicial to such Bank (or, as the case may be, its holding company); or

12.4.2 have an adverse effect on such Bank's or its holding company's business, operations, administration or financial condition; or

12.4.3 involve such Bank or its holding company in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent, with any regulation or such Bank's general banking policies; or

12.4.4 involve such Bank or its holding company in any expense (unless indemnified to its satisfaction) or tax disadvantage.

13 Security, set-off and pro-rata payments

13.1 Application of moneys

All moneys received by the Creditor under or pursuant to any of the Security Documents and expressed to be applicable in accordance with the provisions of this clause 13.1 shall, if received by a Creditor other than the Agent and the Security Agent, be paid to the Agent for application, and if received by the Agent or the Security Agent shall be applied by the Agent and/or the Security Agent (as the case may be) in the following manner:

13.1.1 first in or towards payment of all unpaid costs, expenses and fees which may be owing to the Arranger, the Agent or the Security Agent under any of the Security Documents;

13.1.2 secondly, in or towards payment of any unpaid costs, expenses and fees payable to the Banks or the Account Bank or any of them;

13.1.3 thirdly, in or towards payment of any arrears of interest owing in respect of the Loan or any part thereof;

13.1.4 fourthly, in or towards payment to any Bank for any loss suffered by reason of any such payment in respect of principal not being effected on an Interest Payment Date relating to the part of the Loan repaid or prepaid and which amounts are so payable under this Agreement;

13.1.5 fifthly, in or towards repayment of the Loan (whether the same is due and payable or not);

13.1.6 sixthly, in or towards payment to the Swap Provider, on a pro rata basis, of any sums owing to it under the Master Swap Agreement;

13.1.7 seventhly, in or towards payment to any Creditor (other than the Swap Provider) of any other sums owing to it under any of the Security Documents (and if any such sums are owing to more than one Creditor, as between such Creditors on a pro rata basis); and

13.1.8 eighthly, the surplus (if any) shall be paid to the Borrower or to whomsoever else may be entitled to receive such surplus.

13.2 Pro-rata payments

13.2.1 If at any time any Bank (the "**Recovering Bank**") receives or recovers any amount owing to it by the Borrower under this Agreement by direct payment, set-off or in any manner other than by payment through the Agent pursuant to clauses 6.1 or 6.9 (not being a payment received from a Transferee Bank or a sub-participant in such Bank's Contribution or any other payment of an amount due to the Recovering Bank for its sole account pursuant to clauses 3.6, 5, 6.6, 11.1, 11.2, 12.1 or 12.2), the Recovering Bank shall, within two (2) Banking Days of such receipt or recovery (a "**Relevant Receipt**") notify the Agent of the amount of the Relevant Receipt. If the Relevant Receipt exceeds the amount which the Recovering Bank would have received if the Relevant Receipt had been received by the Agent and distributed pursuant to clauses 6.1 or 6.9 (as the case may be) then:

(a) within two (2) Banking Days of demand by the Agent, the Recovering Bank shall pay to the Agent an amount equal (or equivalent) to the excess;

(b) the Agent shall treat the excess amount so paid by the Recovering Bank as if it were a payment made by the Borrower and shall distribute the same to the Banks (other than the Recovering Bank) in accordance with clause 6.9; and

(c) as between the Borrower and the Recovering Bank the excess amount so re-distributed shall be treated as not having been paid but the obligations of the Borrower to the other Banks shall, to the extent of the amount so re-distributed to them, be treated as discharged.

13.2.2 If any part of the Relevant Receipt subsequently has to be wholly or partly refunded by the Recovering Bank (whether to a liquidator or otherwise), each Bank to which any part of such Relevant Receipt was so re-distributed shall on request from the Recovering Bank repay to the Recovering Bank such Bank's pro-rata share of the amount which has to be refunded by the Recovering Bank.

13.2.3 Each Bank shall on request supply to the Agent such information as the Agent may from time to time request for the purpose of this clause 13.2.

13.2.4 Notwithstanding the foregoing provisions of this clause 13.2, no Recovering Bank shall be obliged to share any Relevant Receipt which it receives or recovers pursuant to legal proceedings taken by it to recover any sums owing to it under this Agreement with any other party which has a legal right to, but does not, either join in such proceedings or commence and diligently pursue separate proceedings to enforce its rights in the same or another court (unless the proceedings instituted by the Recovering Bank are instituted by it without prior notice having been given to such party through the Agent).

13.3 Set-off

13.3.1 The Borrower authorises the Agent and each Bank (without prejudice to any of the Agent's or such Bank's rights at law. in equity or otherwise), at any time and without notice to the Borrower, to apply any credit balance to which the Borrower is then entitled standing upon any account of the Borrower with any branch of such Creditor in or towards satisfaction of any sum due and payable from the Borrower to the Agent or such Bank, as the case may be, under any of the Security Documents. For this purpose, the Agent and each Bank is authorised to purchase with the moneys standing to the credit of such account such other currencies as may be necessary to effect such application.

13.3.2 No Creditor shall be obliged to exercise any right given to it by this clause 13.3. Each Bank shall notify the Agent and the Agent shall notify the Borrower forthwith upon the exercise or purported exercise of any right of set-off giving full details in relation thereto and the Agent shall inform the other Banks. Nothing in this clause 13.3 shall be effective to create a charge or other Encumbrance.

13.3.3 Nothing in the clause 13.3 shall be effective to create a charge or other security interest.

13.4 No release

For the avoidance of doubt it is hereby declared that failure by any Recovering Bank to comply with the provisions of clause 13.2 shall not release any other Recovering Bank from any of its obligations or liabilities under clause 13.2.

13.5 No charge

The provisions of this clause 13 shall not, and shall not be construed so as to, constitute a charge or other security interest by a Creditor over all or any part of a sum received or recovered by it in the circumstances mentioned in clause 13.2.

14 Operating Account

14.1 General

The Borrower undertakes with each Creditor that it will:

14.1.1 on or before the Drawdown Date, open the Operating Account (and provide the Agent and the Account Bank with any information or documents requested by them under clause 8.1.15 to enable the Account Bank to do so); and

14.1.2 procure that all moneys payable to the Borrower in respect of the Earnings of the Ship and any moneys payable to the Borrower under the Master Swap Agreement shall, unless and until the Agent (acting on the instructions of the Majority Banks) directs to the contrary pursuant to clause 2.1.1 of the Deed of Covenant be paid to the Operating Account Provided however that if any of the moneys paid to the Operating Account are payable in a currency other than Dollars, the Account Bank shall (and the Borrower hereby irrevocably and unconditionally instructs the Account Bank to) convert such moneys into Dollars at the Account Bank's spot rate of exchange at the relevant time for the purchase of Dollars with such currency and the term "**spot rate of exchange**" shall include any premium and costs of exchange payable in connection with the purchase of Dollars with such currency.

14.2 Operating Accounts: withdrawals

Unless and until a Default shall occur and be continuing and the Agent (acting on the instructions of the Majority Banks) shall direct to the contrary, the Borrower shall be entitled to withdraw moneys from the Operating Account only for the following purposes:

14.2.1 to pay any amount to the Agent in or towards payments of any instalments of interest or any repayments, reductions or other payments of principal, or any other amounts then payable pursuant to the Security Documents;

14.2.2 to pay the proper and reasonable expenses of the Ship (including management fees under the Management Agreements);

14.2.3 to pay the proper and reasonable expenses of administering the Borrower's affairs; and

14.2.4 to make any payments of dividends to the extent permitted by clause 8.3.12 or any other payments on behalf of the Borrower which are not prohibited by this Agreement or any of the other Security Documents.

14.3 Account terms

Amounts standing to the credit of the Operating Account shall (unless otherwise agreed between the Account Bank and the Borrower) bear interest at the rates from time to time offered by the Account Bank to its customers for Dollar deposits in comparable amounts for comparable periods. Interest shall accrue on the Operating Account from day to day and be calculated on the basis of actual days elapsed and a three hundred and sixty (360) day year and shall be credited to the Operating Account at such times as the Account Bank and the Borrower shall agree.

14.4 Application of Operating Account

At any time after the occurrence of an Event of Default, the Agent may, and on the instructions of the Majority Banks shall, without notice to the Borrower, instruct the Account Bank to apply all moneys then standing to the credit of the Operating Account (together with interest from time to time accruing or accrued thereon) in or towards satisfaction of any sums due to the Creditors or any of them under the Security Documents in the manner specified in clause 13.1.

14.5 Charging of Operating Account

The Operating Account and all amounts from time to time standing to the credit thereof shall be subject to the security constituted and the rights conferred by the Account Assignment.

15 Assignment, transfer and lending office

15.1 Benefit and burden

This Agreement shall be binding upon, and enure for the benefit of, the Creditors and the Borrower and their respective successors in title.

15.2 No assignment by Borrower

The Borrower may not assign or transfer any of its rights or obligations under this Agreement.

15.3 Transfers by Banks

Subject to the prior written consent of (a) the Agent and (b) provided no Default has occurred at such time, the Borrower (such consent not to be unreasonably withheld or delayed), any Bank (the "**Transferor Bank**") may at any time cause all or any part of its rights, benefits and/or obligations under this Agreement and the Security Documents to be transferred to any other bank or financial institution which, in the reasonable opinion of the Agent, has experience in ship finance (a "**Transferee Bank**") by delivering to the Agent a Transfer Certificate duly completed and duly executed by the Transferor Bank and the Transferee Bank **Provided however** that (a) the Transferor Bank shall pay to the Agent a transfer fee of Three thousand Dollars ($3,000) in respect of any such transfer and (b) the rights, benefits and/or obligations to be transferred under any such transfer shall be in respect of a minimum amount of Ten million Dollars ($10,000,000) of the Transferor Bank's Commitment and/or (as the case may be) Contribution. The consent of the Borrower referred to above shall not be required in relation to any transfer where the relevant Transferee Bank is a Related Company of the relevant Transferor Bank. No such transfer is binding on, or effective in relation to, the Borrower or the Agent or the other Creditors unless (i) it is effected or evidenced by a Transfer Certificate which complies with the provisions of this clause 15.3 and is signed by or on behalf of the Transferor Bank, the Transferee Bank and the Agent (on behalf of itself, the Borrower and the other Creditors) and (ii) such transfer of rights under the other Security Documents as the Agent or the Transferee Bank may deem necessary has been effected and registered to the satisfaction of the Agent. Upon signature of any such Transfer Certificate by the Agent, which signature shall be effected as promptly as is practicable after such Transfer Certificate has been delivered to the Agent, and subject to the terms of such Transfer Certificate, such Transfer Certificate shall have effect as set out below.

The following further provisions shall have effect in relation to any Transfer Certificate:

15.3.1 a Transfer Certificate may be in respect of a Bank's rights in respect of all, or part of, its Commitment and shall be in respect of the same proportion of its Contribution;

15.3.2 a Transfer Certificate shall only be in respect of rights and obligations of the Transferor Bank in its capacity as a Bank and shall not transfer its rights and obligations as Agent, Security Agent or in any other capacity, as the case may be and such other rights and obligations may only be transferred in accordance with any applicable provisions of this Agreement;

15.3.3 a Transfer Certificate shall take effect in accordance with English law as follows:

(a) to the extent specified in the Transfer Certificate, the Transferor Bank's payment rights and all its other rights (other than those referred to in clause 15.3.2 above) under this Agreement are assigned to the Transferee Bank absolutely, free of any defects in the Transferor Bank's title and of any rights or equities which the Borrower had against the Transferor Bank;

(b) the Transferor Bank's Commitment is discharged to the extent specified in the Transfer Certificate;

(c) the Transferee Bank becomes a Bank with a Contribution and a Commitment of the amounts specified in the Transfer Certificate;

(d) the Transferee Bank becomes bound by all the provisions of this Agreement and the Security Documents which are applicable to the Banks generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent, the Security Agent and the Arranger in accordance with the provisions of clause 16 and to the extent that the Transferee Bank becomes bound by those provisions, the Transferor Bank ceases to be bound by them; and

(e) the Transferee Bank becomes entitled to all the rights under this Agreement which are applicable to the Banks generally, including but not limited to those relating to the Majority Banks and those under clauses 3.6, 5 and 12 and to the extent that the Transferee Bank becomes entitled to such rights, the Transferor Bank ceases to be entitled to them;

15.3.4 the rights and equities of the Borrower or of any other Security Party referred to above include, but are not limited to, any right of set-off and any other kind of cross-claim; and

15.3.5 the Borrower, the Account Bank, the Security Agent, the Swap Provider and the other Creditors hereby irrevocably authorise and instruct the Agent to sign any such Transfer Certificate on their behalf and undertake not to withdraw, revoke or qualify such authority or instruction at any time. Promptly upon its signature of any Transfer Certificate, the Agent shall notify the Borrower, the Transferor Bank, the Transferee Bank and the other Banks.

15.4 Reliance on Transfer Certificate

15.4.1 The Agent shall be entitled to rely on any Transfer Certificate believed by it to be genuine and correct and to have been presented or signed by the persons by whom it purports to have been presented or signed, and shall not be liable to any of the parties to this Agreement and the Security Documents for the consequences of such reliance.

15.4.2 The Agent shall at all times during the continuation of this Agreement maintain a register in which it shall record the name, Commitments, Contributions and administrative details (including the lending office) from time to time of the Banks holding a Transfer Certificate and the date at which the transfer referred to in such Transfer Certificate held by each Bank was transferred to such Bank, and the Agent shall make the said register available for inspection by any Bank, the Security Agent or the Borrower during normal banking hours upon receipt by the Agent of reasonable prior notice requesting the Agent to do so.

15.4.3 The entries on the said register shall, in the absence of manifest error, be conclusive in determining the identities of the Commitments, the Contributions and the Transfer Certificates held by the Banks from time to time and the principal amounts of such Transfer Certificates and may be relied upon by the Agent, the other Creditors and the other Security Parties for all purposes in connection with this Agreement and the Security Documents.

15.5 Transfer fees and expenses

If any Bank causes the transfer of all or any part of its rights, benefits and/or obligations under the Security Documents, it shall (or it shall ensure that the relevant Transferee Bank shall) pay to the Agent-and/or the Security Agent on demand a transfer fee of $3,000 per transfer for the account of the Agent and all costs, fees and expenses (including, but not limited to, legal fees and expenses), and all value added tax thereon, verified by the Agent or, as the case may be, the Security Agent as having been incurred by it in connection with such transfer.

15.6 Documenting transfers

If any Bank assigns all or any part of its rights or transfers all or any part of its rights, benefits and/or obligations as provided in clause 15.3, the Borrower undertakes with each Creditor, immediately on being requested to do so by the Agent and at the cost of the Transferor Bank, to enter into, and procure that the other Security Parties shall (at the cost of the Transferor Bank) enter into, such documents as may be necessary or desirable to transfer to the Transferee Bank all or the relevant part of such Bank's interest in the Security Documents and all relevant references in this Agreement to such Bank shall thereafter be construed as a reference to the Transferor Bank and/or its Transferee Bank (as the case may be) to the extent of their respective interests.

15.7 Sub-participation

A Bank may sub-participate all or any part of its rights and/or obligations under the Security Documents without the consent of, or notice to, the Borrower but with the prior written consent of the Agent (such consent not to be unreasonably Withheld) **Provided however that** the terms of any relevant sub-participation agreement shall provide that the sub-participant shall not exercise (or be entitled to exercise) any direct or indirect control over the voting rights of such Bank under this Agreement and the other Security Documents (such that such Bank shall be entitled to exercise its rights and discharge its obligations under this Agreement and the other Security Documents, without any prior approval or consent of, or any other reference to, the relevant sub-participant).

15.8 Lending office

Each Bank shall lend through its office at the address specified in schedule 1 or, as the case may be, in any relevant Transfer Certificate or through any other office of such Bank selected from time to time by such Bank through which such Bank wishes to lend for the purposes of this Agreement. If the office through which a Bank is lending is changed pursuant to this clause 15.8, such Bank shall notify the Agent promptly of such change and the Agent shall notify the Borrower, the Security Agent, the Swap Provider, the Account Bank and the other Banks.

15.9 Disclosure of information

A Bank may, with the prior written consent of the Agent (such consent not to be unreasonably withheld), disclose to a prospective Transferee Bank or to any other person who may propose entering into contractual relations with such Bank in relation to this Agreement such information about the Borrower and the other Security Parties, the Group and any members thereof or any of them as such Bank shall consider appropriate provided that such Bank shall ensure that such information shall be disclosed on a confidential basis to any such person.

15.10 Replacement of a Bank

15.10.1 If at any time:

(a) any Bank becomes an Increased Cost Bank; or

(b) any Bank becomes a Non-Consenting Bank,

then the Borrower may: (i) on ten (10) Business Days' prior notice to the Agent and that Bank; and (ii) following consultation with the Agent, replace that Bank by causing it to (and that Bank shall) transfer pursuant to this clause 15 all of its rights and obligations under this Agreement and the other Security Documents to another Bank or other person selected by the Borrower and acceptable to the Agent (acting reasonably) for a purchase price equal to the outstanding principal amount of that Bank's Contribution and all accrued interest and fees and other amounts payable under this Agreement. If the effective date for that transfer is not an Interest Payment Date, then the Borrower shall, on the transfer date, indemnify the Increased Cost Bank or the Non-Consenting Bank against any loss which it incurs as a result.

15.10.2 The Borrower shall have no right to replace the Arranger, the Agent, the Account Bank or the Security Agent and none of the foregoing shall create on any Creditor, nor any Creditor shall have, any obligation towards the Borrower to find a replacement Bank or such other entity. No member of the Group may make any payment or assume any obligation (whether by way of fees, expenses or otherwise) to or on behalf of the replacement Bank as an inducement for the replacement Bank to become a Bank.

15.10.3 The Borrower may only replace a Non-Consenting Bank or an Increased Cost Bank if that replacement takes place no later than 60 days after:

(a) the date on which the Non-Consenting Bank becomes a Non-Consenting Bank; or

(b) the date on which the Increased Cost Bank demands payment of the relevant additional amounts.

15.10.4 No Bank replaced under this clause 15.10 may be required to pay or surrender to that replacement Bank or other entity any of the fees received by it.

15.10.5 In the case of a replacement of an Increased Cost Bank, the Borrower shall pay the relevant additional amounts to that Increased Cost Bank prior to it being replaced and the payment of those additional amounts shall be a condition to replacement.

15.10 6 For the purposes of this clause 15.10:

(a) an **"Increased Cost Bank"** is a Bank to whom the Borrower becomes obliged to pay any additional amount under clause 6.6 or clause 12.2 in circumstances where (i) the Borrower is also obliged to pay such additional amount to other Banks under the same clause and (ii) the additional amounts which such Bank is seeking to recover from the Borrower under such clause are materially higher than the equivalent amounts sought by the other such Banks under the same clause; and

(b) a "**Non-Consenting Bank**" is a Bank who does not agree to a waiver, consent or amendment where:

(i) the Borrower or the Agent has requested the Banks to consent to a departure from, or waiver of, any provision of the Security Documents or to agree to any amendment thereto;

(ii) the waiver, consent or amendment in question requires the agreement of the Majority Banks or all the Banks;

(iii) a period of not less than 30 days has elapsed from the date the waiver, consent or amendment was requested;

(iv) the Majority Banks have agreed to such waiver, consent or amendment; and

(v) the Borrower has notified such Bank that it will treat it as a Non-Consenting Bank.

16 Arranger, Agent and Security Agent

16.1 Appointment of the Agent

Each Bank and the Swap Provider irrevocably appoints the Agent as its agent for the purposes of this Agreement and such of the Security Documents to which it may be appropriate for the Agent to be party. By virtue of such appointment, each of the Banks and the Swap Provider hereby authorises the Agent:

16.1.1 to execute such documents as may be approved by the Majority Banks for execution by the Agent; and

16.1.2 (whether or not by or through employees or agents) to take such action on such Bank's or, as the case may be, the Swap Provider's behalf and to exercise such rights, remedies, powers and discretions as are specifically delegated to the Agent by this Agreement and/or any other Security Document, together with such powers and discretions as are reasonably incidental thereto.

16.2 Agent's actions

Any action taken by the Agent under or in relation to this Agreement or any of the other Security Documents whether with requisite authority or on the basis of appropriate instructions, received from the Banks (or as otherwise duly authorised) shall be binding on all the Banks, the Swap Provider and the other Creditors.

16.3 Agent's duties

The Agent shall:

16.3.1 promptly notify each Bank of the contents of each notice, certificate or other document received by it from the Borrower under or pursuant to clauses 8.1.1, 8.1.5 and 8.1.7; and

16.3.2 (subject to the other provisions of this clause 16) take (or instruct the Security Agent to take) such action or, as the case may be, refrain from taking (or authorise the Security Agent to refrain from taking) such action with respect to the exercise of any of its rights, remedies, powers and discretions as agent, as the Majority Banks may direct.

16.4 Agent's rights

The Agent may:

16.4.1 in the exercise of any right, remedy, power or discretion in relation to any matter, or in any context, not expressly provided for by this Agreement or any of the other Security Documents, act or, as the case may be, refrain from acting (or authorise the Security Agent to act or refrain from acting) in accordance with the instructions of the Banks, and shall be fully protected in so doing;

16.4.2 unless and until it shall have received directions from the Majority Banks, take such action or, as the case may be, refrain from taking such action (or authorise the Security Agent to take or refrain from taking such action) in respect of a Default of which the Agent has actual knowledge as it shall deem advisable in the best interests of the Banks and the Swap Provider (but shall not be obliged to do so);

16.4.3 refrain from acting (or authorise the Security Agent to refrain from acting) in accordance with any instructions of the Banks to institute any legal proceedings arising out of or in connection with this Agreement or any of the other Security Documents until it and/or the Security Agent has been indemnified and/or secured to its satisfaction against any and all costs, expenses or liabilities (including legal fees) which it would or might incur as a result;

16.4.4 deem and treat (a) each Bank as the person entitled to the benefit of the Contribution of such Bank for all purposes of this Agreement unless and until a Transfer Certificate shall have been filed with the Agent pursuant to clause 15.3 and shall have become effective, and (b) the office set opposite the name of each of the Banks in schedule 1 or, as the case may be, in any relevant Transfer Certificate to be such Bank's lending office unless and until a written notice of change of lending office shall have been received by the Agent and the Agent may act upon any such notice unless and until the same is superseded by a further such notice;

16.4.5 rely as to matters of fact which might reasonably be expected to be within the knowledge of any Security Party upon a certificate signed by any director or officer of the relevant Security Party on behalf of the relevant Security Party; and

16.4.6 do anything which is in its opinion necessary or desirable to comply with any law or regulation in any jurisdiction.

16.5 No liability of Arranger or Agent

Neither the Arranger nor the Agent nor any of their respective employees and agents shall:

16.5.1 be obliged to make any enquiry as to the use of any of the proceeds of the Loan unless (in the case of the Agent) so required in writing by a Bank, in which case the Agent shall promptly make the appropriate request to the Borrower; or

16.5.2 be obliged to make any enquiry as to any breach or default by the Borrower or any other Security Party in the performance or observance of any of the provisions of this Agreement or any of the other Security Documents or as to the existence of a Default unless (in the case of the Agent) the Agent has actual knowledge thereof or has been notified in writing thereof by a Bank, in which case the Agent shall promptly notify the Banks of the relevant event or circumstance; or

16.5.3 be obliged to enquire whether or not any representation or warranty made by the Borrower or any other Security Party pursuant to this Agreement or any of the other Security Documents is true; or

16 5.4 be obliged to do anything (including, without limitation, disclosing any document or information) which would, or might in its opinion, be contrary to any law or regulation or be a breach of any duty of confidentiality or otherwise be actionable or render it liable to any person; or

16.5.5 be obliged to account to any Bank or the Swap Provider for any sum or the profit element of any sum received by it for its own account; or

16.5.6 be obliged to institute any legal proceedings arising out of or in connection with this Agreement or any of the other Security Documents other than on the instructions of the Majority Banks; or

16.5.7 be liable to any Bank or the Swap Provider for any action taken or omitted under or in connection with this Agreement or any of the other Security Documents unless caused by its gross negligence or wilful misconduct.

For the purposes of this clause 16, neither the Arranger nor the Agent shall be treated as having actual knowledge of any matter of which the corporate finance or any other division outside the agency or loan administration department of the Arranger or the person for the time being acting as the Agent may become aware in the context of corporate finance, advisory or lending activities from time to time undertaken by the relevant Arranger or, as the case may be, the Agent for any Security Party or any other person which may be a trade competitor of any Security Party or may otherwise have commercial interests similar to those of any Security Party.

16.6 Non-reliance on Arranger or Agent

Each Bank and the Swap Provider acknowledges that it has not, relied on any statement, opinion, forecast or other representation made by the Arranger or the Agent to induce it to enter into this Agreement or any of the other Security Documents and that it has made and will continue to make, without reliance on the Arranger or the Agent and based on such documents as it considers appropriate, its own appraisal of the creditworthiness of the Security Parties and its own independent investigation of the financial condition, prospects and affairs of the Security Parties in connection with the making and continuation of such Bank's Commitment or

Contribution under this Agreement. Neither the Arranger nor the Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any other Creditor with any credit or other information with respect to any Security Party whether coming into its possession before the making of the Loan or at any time or times thereafter other than as provided in clause 16.3.1.

16.7 No responsibility on Arranger or Agent for Borrower's performance

Neither the Arranger nor the Agent shall have any responsibility or liability to any Bank or the Swap Provider:

16.7.1 on account of the failure of any Security Party to perform its obligations under any of the Security Documents; or

16.7.2 for the financial condition of any Security Party; or

16.7.3 for the completeness or accuracy of any statements, representations or warranties in any of the Security Documents or any document delivered under any of the Security Documents; or

16.7.4 for the execution, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any of the Security Documents or of any certificate, report or other document executed or delivered under any of the Security Documents; or

16 7.5 to investigate or make any enquiry into the title of the Borrower or any other Security Party to the Ship or any other security or any part thereof; or

16.7.6 for the failure to register any of the Security Documents with any official or regulatory body or office or elsewhere; or

16.7.7 for taking or omitting to take any other action under or in relation to any of the Security Documents or any aspect of any of the Security Documents; or

16.7.8 on account of the failure of the Security Agent to perform or discharge any of its duties or obligations under the Security Documents; or

16.7.9 otherwise in connection with the Agreement or its negotiation or for acting (or, as the case may be, refraining from acting) in accordance with the instructions of the Banks or the Swap Provider.

16.8 Reliance on documents and professional advice

The Arranger and the Agent shall be entitled to rely on any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person and shall be entitled to rely as to legal or other professional matters on opinions and statements of any legal or other professional advisers selected or approved by it (including those in the Arranger's or, as the case may be, the Agent's employment).

16.9 Other dealings

The Arranger and the Agent may, without any liability to account to the Banks or the Swap Provider, accept deposits from, lend money to, and generally engage in any kind of banking or other business with, and provide advisory or other services to, any Security Party or any of its Related Companies or any of the Banks or the Swap Provider as if it were not the Arranger or, as the case may be, the Agent.

16.10 Rights of Agent as Bank; no partnership

With respect to its own Commitment and Contribution (if any) the Agent shall have the same rights and powers under the Security Documents as any other Bank and may exercise the same as though it were not performing the duties and functions delegated to it under this Agreement

and the term "**Banks**" shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity as a Bank. This Agreement shall not and shall not be construed so as to constitute a partnership between the parties or any of them.

16.11 Amendments and waivers

16.11.1 Subject to clause 16.11.2, the Agent may, with the consent of the Majority Banks (or if and to the extent expressly authorised by the other provisions of any of the Security Documents) and, if so instructed by the Majority Banks, the Agent shall:

(a) agree (or authorise the Security Agent to agree) amendments or modifications to any of the Security Documents with any Security Party; and/or

(b) vary or waive breaches of, or defaults under, or otherwise excuse performance of, any provision of any of the other Security Documents by any Security Party (or authorise the Security Agent to do so).

Any such action so authorised and effected by the Agent shall be documented in such manner as the Agent shall (with the approval of the Majority Banks) determine, shall be promptly notified to the Banks by the Agent and (without prejudice to the generality of clause 16.2) shall be binding on all the Creditors.

16.11.2 Except with the prior written consent of all the Banks, the Agent shall have no authority on behalf of the Banks or the Swap Provider to agree (or authorise the Security Agent to agree) with any Security Party any amendment or modification to any of the Security Documents or to grant (or authorise the Security Agent to grant) waivers in respect of breaches or defaults or to vary or excuse (or authorise the Security Agent to vary or excuse) performance of or under any of the Security Documents by any Security Party, if the effect of such amendment, modification, waiver or excuse would be to:

(a) reduce the Margin;

(b) postpone the due date of, or reduce the amount of any payment of principal, interest or other amount payable by any Security Party under any of the Security Documents;

(c) change the currency in which any amount is payable by any Security Party under any of the Security Documents;

(d) increase any Bank's Commitment;

(e) extend the Termination Date;

(f) change any provision of any of the Security Documents which expressly or implied requires the approval or consent of all the Banks such that the relevant approval or consent may be given otherwise than with the sanction of all the Banks;

(g) change the order of distribution under clause 6.9 or clause 13.1 or change clause 13.2;

(h) change this clause 16.11;

(i) change the definition of "**Majority Banks**" in clause 1.2; or

release any Security Party from the security constituted by any Security Document (except as required by the terms thereof or by law) or change the terms and conditions upon which such security or guarantee may be, or is required to be, released.

16.12 Reimbursement and indemnity by Banks

Each Bank shall reimburse the Agent (rateably in accordance with such Bank's Commitment or Contribution), to the extent that the Agent is not reimbursed by the Borrower, for the costs,

charges and expenses incurred by the Agent which are expressed to be payable by the Borrower under clause 5.1 including (in each case) the fees and expenses of legal or other professional advisers. Each Bank shall on demand indemnify the Agent (rateably in accordance with such Bank's Commitment or Contribution) against all liabilities, damages, costs and claims whatsoever incurred by the Agent in connection with any of the Security Documents or the performance of its duties under any of the Security Documents or any action taken or omitted by the Agent under any of the Security Documents, unless such liabilities, damages, costs or claims arise from the Agent's own gross negligence or wilful misconduct.

16.13 Retirement of Agent

16.13.1 The Agent may, having given to the Borrower, the Swap Provider and each of the Banks not less than thirty (30) days' notice of its intention to do so, retire from its appointment as Agent under this Agreement, provided that no such retirement shall take effect unless there has been appointed by the Banks and the Swap Provider as a successor agent:

(a) a Related Company of the Agent nominated by the Agent which the Banks and the Swap Provider hereby irrevocably and unconditionally agree to appoint or, failing such nomination,

(b) a Bank nominated by the Majority Banks or, failing such a nomination,

(c) any reputable and experienced bank or financial institution nominated by the retiring Agent;

and such successor agent shall have accepted such appointment.

Any corporation into which the retiring Agent may be merged or converted or any corporation with which the Agent may be consolidated or any corporation resulting from any merger, conversion, amalgamation, consolidation or other reorganisation to which the Agent shall be a party shall, to the extent permitted by applicable law, be the successor Agent under this Agreement and the other Security Documents without the execution or filing of any document or any further act on the part of any of the parties to this Agreement and the other Security Documents save that notice of any such merger, conversion, amalgamation, consolidation or other reorganisation shall forthwith be given to each Security Party, the Banks and the Swap Provider. Prior to any such successor being appointed, the Agent agrees to consult with the Borrower as to the identity of the proposed successor and to take account of any reasonable objections which the Borrower may raise to such successor being appointed.

16.13.2 Upon any such successor as aforesaid being appointed, the retiring Agent shall be discharged from any further obligation under the Security Documents (but shall continue to have the benefit of this clause 16 in respect of any action it has taken or refrained from taking prior to such discharge) and its successor and each of the other parties to this Agreement shall have the same rights and obligations among themselves as they would have had if such successor had been a party to this Agreement in place of the retiring Agent. The retiring Agent shall (at the expense of the Borrower) provide its successor with copies of such of its records as its successor reasonably requires to carry out its functions under the Security Documents.

16.14 Appointment and retirement of Security Agent

16.14.1 Appointment

Each of the Banks, the Swap Provider and the Agent irrevocably appoints the Security Agent as its security agent and trustee for the purposes of this Agreement and the other Security Documents to which the Security Agent is or is to be a party, in each case on the terms set out in this Agreement. By virtue of such appointment, the Agent, the Swap Provider and each of the Banks hereby authorises the Security Agent (whether or not by or through employees or agents) to take such action on its behalf and to exercise such rights, remedies,

powers and discretions as are specifically delegated to the Security Agent by this Agreement and/or any of the other Security Documents, together with such powers and discretions as are reasonably incidental thereto.

16.14.2 Retirement

Without prejudice to clause 16.13, the Security Agent may, having given to the Borrower, each of the Banks and the Swap Provider not less than fifteen (15) days' notice of its intention to do so, retire from its appointment as Security Agent under this Agreement and any Trust Deed, provided that no such retirement shall take effect unless there has been appointed by the Banks, the Agent and the Swap Provider as a successor security agent and trustee:

(a) a Related Company of the Security Agent nominated by the Security Agent which the Banks hereby irrevocably and unconditionally agree to appoint or, failing such nomination,

(b) a bank or trust corporation nominated by the Majority Banks or, failing such a nomination,

(c) any bank or trust corporation nominated by the retiring Security Agent,

and, in any case (i) such successor security agent and trustee shall have duly accepted such appointment by delivering to the Agent (A) written confirmation (in a form acceptable to the Agent) of such acceptance agreeing to be bound by this Agreement in the capacity of Security Agent as if it had been an original party to this Agreement and (B) a duly executed Trust Deed and (ii) such successor security agent and trustee shall have duly entered into, whether with the retiring Security Agent and/or with the Borrower and the other Security Parties and/or with the Creditors or with any of them, such documents in connection with the Security Documents as the Agent shall require in its absolute discretion.

Any corporation into which the retiring Security Agent may be merged or converted or any corporation with which the Security Agent may be consolidated or any corporation resulting from any merger, conversion, amalgamation, consolidation or other reorganisation to which the Security Agent shall be a party shall, to the extent permitted by applicable law, be the successor Security Agent under this Agreement, any Trust Deed and the other Security Documents referred to in clause 16.14.1 without the execution or filing of any document or any further act on the part of any of the parties to this Agreement, any Trust Deed and the other Security Documents save that notice of any such merger, conversion, amalgamation, consolidation or other reorganisation shall forthwith be given to each Security Party, the Banks, the Agent and the Swap Provider.

Upon any such successor as aforesaid being appointed, the retiring Security Agent shall be discharged from any further obligation under the Security Documents (but shall continue to have the benefit of this clause 16 in respect of any action it has taken or refrained from taking prior to such discharge) and its successor and each of the other parties to this Agreement shall have the same rights and obligations among themselves as they would have had if such successor had been a party to this Agreement in place of the retiring Security Agent. The retiring Security Agent shall (at the expense of the Borrower) provide its successor with copies of such of its records as its successor reasonably requires to carry out its functions under the Security Documents.

16.15 Powers and duties of the Security Agent

16.15.1 The Security Agent shall have no duties, obligations or liabilities to any of the Banks, the Swap Provider or the Agent beyond those expressly stated in any of the Security Documents. Each of the Banks, the Swap Provider and the Agent hereby authorises the Security Agent to enter into and execute:

(a) each of the Security Documents to which the Security Agent is or is intended to be a party; and

(b) any and all such other Security Documents as may be approved by the Agent in writing (acting on the instructions of the Majority Banks) for entry into by the Security Agent,

and, in each and every case, to hold any and all security thereby created upon trust for the Banks, the Swap Provider and the Agent in the manner contemplated by this Agreement.

16.15.2 Subject to clause 16.15.3 the Security Agent may, with the prior consent of the Majority Banks communicated in writing by the Agent, concur with any of the Security Parties to:

(a) amend, modify or otherwise vary any provision of the Security Documents to which the Security Agent is or is intended to be a party; or

(b) waive breaches of, or defaults under, or otherwise excuse performance of, any provision of the Security Documents to which the Security Agent is or is intended to be a party.

Any such action so authorised and effected by the Security Agent shall be promptly notified to the Banks, the Swap Provider and the Agent by the Security Agent and shall be binding on the other Creditors.

16.15.3 The Security Agent shall not concur with any Security Party with respect to any of the matters described in clause 16.11.2 without the consent of all the Banks communicated in writing by the Agent.

16.15.4 The Security Agent shall (subject to the other provisions of this clause 16) take such action or, as the case may be, refrain from taking such action, with respect to any of its rights, powers and discretions as security agent and trustee, as the Agent may direct. Subject as provided in the foregoing provisions of this clause, unless and until the Security Agent shall have received such instructions from the Agent, the Security Agent may, but shall not be obliged to, take (or refrain from taking) such action under or pursuant to the Security Documents referred to in clause 16.15.1 as the Security Agent shall deem advisable in the best interests of the Creditors provided that (for the avoidance of doubt), to the extent that this clause might otherwise be construed as authorising the Security Agent to take, or refrain from taking, any action of the nature referred to in clause 16.15.2 - and for which the prior consent of the Banks is expressly required under clause 16.15.3 - clauses 16,15.2 and 16.15.3 shall apply to the exclusion of this clause.

16.15.5 None of the Banks nor the Agent nor the Swap Provider shall have any independent power to enforce any of the Security Documents referred to in clause 16.15.1 or to exercise any rights, discretions or powers or to grant any consents or releases under or pursuant to such Security Documents or any of them or otherwise have direct recourse to the security and/or guarantees constituted by such Security Documents or any of them except through the Security Agent.

16.15.6 For the purpose of this clause 16, the Security Agent may, rely and act in reliance upon any information from time to time furnished to the Security Agent by the Agent (whether pursuant to clause 16.15.7 or otherwise) unless and until the same is superseded by further such information, so that the Security Agent shall have no liability or responsibility to any party as a consequence of placing reliance on and acting in reliance upon any such information unless the Security Agent has actual knowledge that such information is inaccurate or incorrect.

16.15.7 Without prejudice to the foregoing each of the Agent, the Swap Provider and the Banks (whether directly or through the Agent) shall provide the Security Agent with such written information as it may reasonably require for the purpose of carrying out its duties and obligations under the Security Documents referred to in clause 16.15.1.

16.15.8 Each Bank shall reimburse the Security Agent (rateably in accordance with such Bank's Commitment or, following draw down, its Contribution), to the extent that the Security Agent is not reimbursed by the Borrower, for the costs, charges and expenses incurred by the Agent which are expressed to be payable by the Borrower under clause 5.2 including (in each case) the fees and expenses of legal or other professional advisers. Each Bank shall on demand indemnify the Security Agent (rateably in accordance with such Bank's Commitment or, following draw down, its Contribution) against all liabilities, damages, costs and claims whatsoever incurred by the Security Agent in connection with any of the Security Documents or the performance of its duties under any of the Security Documents or any action taken or omitted by the Security Agent under any of the Security Documents, unless such liabilities, damages, costs or claims arise from the Security Agent's own gross negligence or wilful misconduct.

16.16 Trust provisions

16.16.1 The trusts constituted or evidenced in or by this Agreement and the Trust Deed shall remain in full force and effect until whichever is the earlier of:

(a) the expiration of a period of eighty (80) years from the date of this Agreement; and

(b) receipt by the Security Agent of confirmation in writing by the Agent that there is no longer outstanding any Indebtedness (actual or contingent) which is secured or guaranteed or otherwise assured by or under any of the Security Documents,

and the parties to this Agreement declare that the perpetuity period applicable to this Agreement and the trusts declared by the Trust Deed shall for the purposes of the Perpetuities and Accumulations Act 1964 be the period of eighty (80) years from the date of this Agreement.

16.16.2 In its capacity as trustee in relation to the Security Documents specified in clause 16.15.1, the Security Agent shall, without prejudice to any of the powers, discretions and immunities conferred upon trustees by law (and to the extent not inconsistent with the provisions of any of those Security Documents), have all the same powers and discretions as a natural person acting as the beneficial owner of such property and/or as are conferred upon the Security Agent by any of those Security Documents.

16.16.3 It is expressly declared that, in its capacity as trustee in relation to the Security Documents specified in clause 16.15.1, the Security Agent shall be entitled to invest moneys forming part of the security and which, in the opinion of the Security Agent, may not be paid out promptly following receipt in the name or under the control of the Security Agent in any of the investments for the time being authorised by law for the investment by trustees of trust moneys or in any other property or investments whether similar to the aforesaid or not or by placing the same on deposit in the name or under the control of the Security Agent as the Security Agent may think fit without being under any duty to diversify its investments and the Security Agent may at any time vary or transpose any such property or investments for or into any others of a like nature and shall not be responsible for any loss due to depreciation in value or otherwise of such property or investments. Any investment of any part or all of the security may, at the discretion of the Security Agent, be made or retained in the names of nominees.

16.17 Independent action by Creditors

None of the Creditors shall enforce, exercise any rights, remedies or powers or grant any consents or releases under or pursuant to, or otherwise have a direct recourse to the security and/or guarantees constituted by any of the Security Documents without the prior written consent of the Majority Banks but, Provided such consent has been obtained, it shall not be necessary for any other Creditor to be joined as an additional party in any proceedings for this purpose.

16.18 Common Agent and Security Agent

The Agent and the Security Agent have entered into the Security Documents in their separate capacities (a) as agent for the Banks and the Swap Provider under and pursuant to this Agreement (in the case of the Agent) and (b) as security agent and trustee for the Banks, the Agent and the Swap Provider under and pursuant to this Agreement, to hold the guarantees and/or security created by the other Security Documents specified in clause 16.15.1 on the terms set out in such Security Documents (in the case of the Security Agent). However, from time to time the Agent and the Security Agent may be the same entity. When the Agent and the Security Agent are the same entity and any Security Document provides for the Agent to communicate with or provide instructions to the Security Agent (and vice versa), it will not be necessary for there to be any such formal communications or instructions on those occasions.

16.19 Co-operation to achieve agreed priorities of application

The Banks, the Swap Provider, the Agent and the Account Bank shall co-operate with each other and with the Security Agent and any receiver under the Security Documents in realising the property and assets subject to the Security Documents and in ensuring that the net proceeds realised under the Security Documents after deduction of the expenses of realisation are applied in accordance with clause 13.1.

16.20 Prompt distribution of proceeds

Moneys received by any of the Creditors (whether from a receiver or otherwise) pursuant to the exercise of (or otherwise by virtue of the existence of) any rights and powers under or pursuant to any of the Security Documents shall (after providing for all costs, charges, expenses and liabilities and other payments ranking in priority) be paid to the Agent for distribution in accordance with clause 13.1 if such moneys are so received by any of he Creditors other than the Agent or the Security Agent, and if so received by the Agent of the Security Agent, they shall be distributed by the Agent or, as the case may be, the Security Agent, in accordance with clause 13.1. The Agent or, as the case may be, the Security Agent shall make each such application and/or distribution as soon as is practicable after the relevant moneys are received by, or otherwise become available to, the Agent or, as the case may be, the Security Agent save that (without prejudice to any other provision contained in any of the Security Documents) the Agent or, as the case may be, the Security Agent (acting on the instructions of the Majority Banks) or any receiver may credit any moneys received by it to a suspense account for so long and in such manner as the Agent or such receiver may from time to time determine with a view to preserving the rights of the Agent and/or the Security Agent and/or the Account Bank and/or the Swap Provider and/or the Arranger and/or the Banks or any of them to provide for the whole of their respective claims against the Borrower or any other person liable.

16.21 Change of Reference Bank

If the Reference Bank ceases to provide quotations to the Agent for the purposes of determining LIBOR or the Mandatory Cost the Agent may terminate the appointment of such Reference Bank and appoint another bank or financial institution to replace it as the Reference Bank.

17 Notices and other matters

17.1 Notices

Every notice, request, demand or other communication under this Agreement or (unless otherwise provided therein) under any of the other Security Documents shall:

17.1.1 be in writing delivered personally or by first-class prepaid letter (airmail if available) or facsimile transmission or other means of telecommunication in permanent written form;

17.1.2 be deemed to have been received, subject as otherwise provided in the relevant Security Document, in the case of a letter, when delivered personally or three (3) days after it has been put in to the post and, in the case of a facsimile transmission or other means of telecommunication in permanent written form, at the time of despatch (provided that if the date of despatch is not a business day in the country of the addressee or if the time of despatch is after the close of business in the country of the addressee it shall be deemed to have been received at the opening of business on the next such business day); and

17.1.3 be sent:

(a) if to the Borrower at:

c/o Diana Shipping Services S.A.
Pendelis 16
Palaio Faliro
175 64 Athens
Greece

Fax no: +30 210 942 4975
Att: Mr Andreas Michalopoulos

(b) if to the Arranger, the Agent, the Security Agent or the Account Bank at:

Nordea Bank Finland Plc, London Branch
8th Floor, City Place House
55 Basinghall Street
London EC2V 5NB
England

Fax no: +44 207 726 9188
Att: Shipping Department

with a copy to:

Fax no: +44 207 726 9102
Att: Loan Administration

(c) if to a Bank, to its address or facsimile number specified in schedule 1 or, in the case of a Transferee Bank, in any relevant Transfer Certificate; and

(d) if to the Swap Provider, to its address or facsimile number specified in paragraph (a) of Part 4 of the Schedule to the Master Swap Agreement,

or, in each case, to such other address and/or numbers as is notified by one party to the other parties under this Agreement.

17.2 Notices through the Agent

Every notice, request, demand or other communication under this Agreement to be given by the Borrower to any other party shall be given to the Agent for onward transmission as appropriate and if such notice, request, demand or other communication is to be given to the Borrower shall (except if otherwise provided in the Security Documents) be given through the Agent.

17.3 No implied waivers, remedies cumulative

No failure or delay on the part of any Creditor to exercise any power, right or remedy under any of the Security Documents shall operate as a waiver thereof, nor shall any single or partial exercise by any Creditor of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The remedies provided in the Security Documents are cumulative and are not exclusive of any remedies provided by law.

17.4 English language

All certificates, instruments and other documents to be delivered under or supplied in connection with any of the Security Documents shall be in the English language or shall be accompanied by a certified English translation upon which the Creditors or any of them shall be entitled to rely.

17.5 Further assurance

The Borrower undertakes with the Creditors that the Security Documents shall both at the date of execution and delivery thereof and so long as any moneys are owing under any of the Security Documents be valid and binding obligations of the respective parties thereto and rights of the Agent and each of the Banks enforceable in accordance with their respective terms and that it will, at its expense, execute, sign, perfect and do and will procure the execution signing, perfecting and doing each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Agent may be necessary or desirable for perfecting the security contemplated or constituted by the Security Documents

17.6 Conflicts

In the event of any conflict between this Agreement and any of the other Borrower's Security Documents (other than the Master Swap Agreement), the provisions of this Agreement shall prevail.

18 Governing law and jurisdiction

18.1 Law

This Agreement and any non-contractual obligations connected with it are governed by, and shall be construed in accordance with, English law.

18.2 Submission to jurisdiction

The Borrower agrees, for the benefit of each of the Creditors, that any legal action or proceedings arising out of or in connection with this Agreement (including any non-contractual obligations connected with it) against the Borrower or any of its assets may be brought in the English courts. The Borrower irrevocably and unconditionally submits to the jurisdiction of such courts and irrevocably designates, appoints and empowers Mr Antonis Nicolaou at present of 25 Heath Drive, Potters Road, Herts EN6 1EN, England to receive for it and on its behalf, service of process issued out of the English courts in any such legal action or proceedings. The submission to such jurisdiction shall not (and shall not be construed so as to) limit the right of any Creditor to take proceedings against the Borrower in the courts of any other competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not

The parties further agree that only the Courts of England and not those of any other State shall have jurisdiction to determine any claim which the Borrower may have against any Creditor arising out of or in connection with this Agreement (including any non-contractual obligations in connection with it).

18.3 Process agent

If Mr Antonis Nikolaou appointed as agent for service of process by an Obligor and referred to in clause 18.2 passes away or cannot be found or is otherwise unable for any reason to act or resigns as agent for service of process, the relevant Obligor hereby undertakes within ten (10) days of such event taking place (and the Guarantor by way of security hereby irrevocably and unconditionally authorises the Security Agent to do so) to designate, appoint and empower on its behalf, Messrs Cheeswrights (currently of Bankside House, 107 Leadenhall Street, London EC3A 4AF, England) at their then principal place of business in London as substitute process agent of Mr Antonis Nikolaou or another agent on terms acceptable to the Agent.

18.4 Contracts (Rights of Third Parties) Act 1999

No term of this Agreement is enforceable under the provisions of the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

IN WITNESS whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

Schedule 1
The Banks and their Commitments

Name	Lending office and contact details	Commitment $
Nordea Bank Finland Plc, London Branch	**Lending office** 8th Floor, City Place House 55 Basinghall Street London EC2V 5NB England **Contact details for notices** 8th Floor, City Place House 55 Basinghall Street London EC2V 5NB England Fax: +44 207 726 9188 Attn: Shipping Department With a copy to: Fax: +44 207 726 9102 Attn: Loan Administration	16,125,000
TOTAL COMMITMENT		**16,125,000**

Schedule 2

Documents and evidence required as conditions precedent

(referred to in clause 9.1)

Part 1

Documents and conditions required as conditions precedent to the Total Commitment being made available

1 Constitutional documents

Copies, certified by an officer of each Security Party as true, complete and up to date copies of all documents which contain or establish or relate to the constitution of that Security Party;

2 Corporate authorisations

copies of resolutions of the directors and, if required, shareholders of each Security Party approving such of the Underlying Documents and the Security Documents to which such Security Party or such other party is, or is to be, party and authorising the signature, delivery and performance of such Security Party's or such other party's obligations thereunder, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Security Party or such other party as:

(a) being true and correct;

(b) being duly passed at meetings of the directors of such Security Party or such other party and, if required, of the shareholders of such Security Party or such other party each duly convened and held;

(c) not having been amended, modified or revoked; and

(d) being in full force and effect,

together with originals or certified copies of any powers of attorney issued by any such Security Party or such other party pursuant to such resolutions;

3 Specimen signatures

copies of the signatures of the persons who have been authorised on behalf of each Security Party to sign such of the Underlying Documents and the Security Documents to which such Security Party is, or is to be, party and to give notices and communications, including notices of drawing, under or in connection with the Security Documents, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Security Party as being the true signatures of such persons;

4 Certificates of incumbency

a list of directors and officers of each Security Party specifying the names and positions of such persons, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Security Party to be true, complete and up to date;

5 Borrower's consents and approvals

a certificate (dated no earlier than five (5) Banking Days prior to the date of this Agreement) from an officer of the Borrower that no consents, authorisations, licences or approvals are necessary for the Borrower to authorise or are required by the Borrower in connection with the borrowing by the Borrower of the Loan pursuant to this Agreement or the execution, delivery and performance of the Borrower's Security Documents;

6 Other consents and approvals

a certificate (dated no earlier than five (5) Banking Days prior to the date of this Agreement) from an officer of each Security Party (other than the Borrower) that no consents, authorisations, licences or approvals are necessary for such Security Party to guarantee and/or grant security for the borrowing by the Borrower of the Total Commitment pursuant to this Agreement and execute, deliver and perform the Security Documents insofar as such Security Party is a party thereto;

7 Certified copies of the Underlying Documents

a copy, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) as a true and complete copy by an officer of the Borrower of each of the Underlying Documents (including the Initial Charter, having a tenor of no less than 24 months and a gross daily charter rate of no less than $12,900 per day, to be fully assignable to the Security Agent and otherwise on terms acceptable to the Agent);

8 Financial statements

the audited consolidated financial statements of the Group in respect of the financial year ended on 31 December 2010;

9 Marshall Islands opinion

an opinion of Cozen 0' Connor, special legal advisers on matters of Marshall Islands law to the Agent;

10 Further opinions

any such further opinion as may be required by the Agent;

11 Security Documents

the Fee Letter, the Master Swap Agreement, the Swap Assignment, the Corporate Guarantee, the Account Assignment, the Initial Charter Assignment and the Share Pledge (together with the other documents to be delivered to the Agent pursuant thereto), each duly executed;

12 Borrower's process agent

a letter from the Borrower's agent for receipt of service of proceedings referred to in clause 18.2 accepting its appointment under the said clause and under each of the other Security Documents in which it is or is to be appointed as the Borrower's agent;

13 Corporate Guarantor's process agent

a letter from the Corporate Guarantor's agent for receipt of service of proceedings referred to in clause 9.2 of the Corporate Guarantee accepting its appointment under the said clause;

14 Registration forms

such statutory forms duly signed by the Borrower and the other Security Parties as may be required by the Agent to perfect the security contemplated by the Security Documents;

15 Bank account

evidence that the Operating Account has been opened together with mandate forms in respect thereof duly executed and that an amount of at least $10 is standing to the credit thereof;

16 "KYC"

such documentation and other evidence as is requested by the Agent in order for the Agent or any Bank or the Account Bank to carry out and be satisfied with the results of all necessary "know your client" or other checks which each such Bank or the Account Bank is required to carry out under any applicable law or legislation or by any regulatory or financial services authority (including in the European Union or the U.S.A.), in relation to the transactions contemplated by this Agreement and to the identity of any parties to this Agreement (other than the Creditors) and their directors, officers, shareholders and ultimate beneficial owners;

17 Fees and commitment commission

evidence that any fees and commitment commission due from the Borrower to any of the Creditors pursuant to the terms of clause 5.1 or any other provision of the Security Documents have been paid in full; and

18 Further conditions precedent

such other conditions precedent as the Agent may require.

Part 2

Documents and evidence required as conditions precedent to the Loan being made

1 Drawdown notice

The Drawdown Notice duly executed;

2 Conditions precedent

evidence that the conditions precedent set out in Part 1 of schedule 2 remain fully satisfied;

3 Ship conditions

evidence that the Ship:

(a) Registration and Encumbrances

is permanently or provisionally registered in the name of the Borrower under the laws and flag of the relevant Flag State through the Registry and that the Ship and its Earnings, Insurances and Requisition Compensation are free of Encumbrances;

(b) Classification

maintains the relevant Classification as a double-hull ship, free of any requirements and recommendations from the Classification Society; and

(c) Insurance

is insured in accordance with the provisions of the Security Documents and all requirements of the Security Documents in respect of such insurance have been complied with (including without limitation, confirmation from the protection and indemnity association or other insurer with which the Ship is, or is to be, entered for insurance or insured against protection and indemnity risks (including oil pollution risks) that any necessary declarations required by the association or insurer for the removal of any oil pollution exclusion have been made and that any such exclusion does not apply to the Ship);

4 Title and no Encumbrances

evidence that the transfer of title to the Ship from the Seller to the Borrower pursuant to the Contract has been duly recorded with the Registry free from Encumbrances (other than Permitted Encumbrances);

5 Delivery Documents

copies certified by a person acceptable to the Agent, of the bill of sale evidencing the Contract Price, the protocol of delivery and acceptance, commercial invoices and any other delivery documents to be exchanged between the Borrower and the Seller under the Contract in respect of the Ship on its Delivery, each duly executed and exchanged;

6 Security Documents

the Ship Security Documents duly executed and delivered;

7 Mortgage registration

evidence that the Mortgage over the Ship has been permanently registered against the Ship under the laws and flag of the Flag State through the Registry;

8 Notices of assignment

copies of duly executed notices of assignment required by the terms of the Ship Security Documents and in the forms prescribed by the Ship Security Documents;

9 Security Parties' process agent

a letter from each Security Party's agent for receipt of service of proceedings accepting its appointment under each Ship Security Document in which it is to be appointed as agent for service of process;

10 Registration forms

such statutory forms duly signed by the Borrower and the other Security Parties as may be required by the Agent to perfect the security contemplated by the Security Documents;

11 Insurance opinion

an opinion from insurance consultants to the Agent at the cost of the Borrower on the Insurances effected or to be effected in respect of the Ship upon and following the Drawdown Date;

12 Panamanian opinion

an opinion of Patton, Moreno & Asvat, special legal advisers on matters of Panamanian law to the Agent;

13 Bahamas opinion

an opinion of Lennox Paton, special legal advisers on matters of Bahamian law to the Agent;

14 Marshall Islands opinion

an opinion of Cozen O' Connor, special legal advisers on matters of Marshall Islands law to the Agent;

15 Further opinions

any such further opinions as may be required by the Agent;

16 DOC and application for SMC

a certified copy of the DOC issued to the Operator for the Ship and evidence satisfactory to the Agent that the Operator has applied for an SMC for the Ship to be issued pursuant to the Code;

17 ISPS Code Compliance

(a) evidence satisfactory to the Agent that the Ship is subject to a ship security plan which complies with the ISPS Code; and

(b) a copy certified (in a certificate dated no earlier than five (5) Banking Days prior to the Drawdown Date) as a true and complete copy by an officer of the Borrower of the ISSC for the Ship and the continuous synopsis record required by the ISPS Code in respect of the Ship;

18 Fees and commissions

payment of any fees and commissions due from the Borrower to the Agent pursuant to the terms of clause 5.1 or any other provision of the Security Documents; and

19 Further conditions precedent

such further conditions precedent as the Agent may require.

Schedule 3
Form of Drawdown Notice

(referred to in clause 2.4)

To: Nordea Bank Finland Plc, London Branch
8th Floor, City Place House
55 Basinghall Street
London EC2V 5NB
England
(as Agent)

[•] 2012

U.S. $16,125,000 Loan
Loan Agreement dated [•] 2012

We refer to the above Loan Agreement and hereby give you notice that we wish to draw down the Loan namely $[•] on [•] 2012 [and select a first Interest Period in respect thereof of [•] months] [the first Interest Period in respect thereof to expire on [•] 2012]. The funds should be credited to **[name and number of account]** with **[details of bank in New York City].**

We confirm that:

(a) no event or circumstance has occurred and is continuing which constitutes a Default;

(b) the representations and warranties contained in (i) clauses 7.1, 7.2 and 7.3.2 of the Loan Agreement, (ii) clause 4 of the Corporate Guarantee and (iii) clause 3 of the Share Pledge, are true and correct at the date hereof as if made with respect to the facts and circumstances existing at such date;

(c) the borrowing to be effected by the drawdown of the Loan will be within our corporate powers, has been validly authorised by appropriate corporate action and will not cause any limit on our borrowings (whether imposed by statute, regulation, agreement or otherwise) to be exceeded; and

(d) no events, conditions, facts or circumstances exist, have arisen or occurred since 31 December 2010 which have had or could be reasonably expected to have a Material Adverse Effect; and

(e) we will use the proceeds of the Loan for our benefit and under our full responsibility and exclusively for the purpose specified in the Loan Agreement.

Words and expressions defined in the Loan Agreement shall have the same meanings where used herein.

_____
For and on behalf of
JEMO SHIPPING COMPANY INC.

Schedule 4

Transfer Certificate

(referred to in clause 15.3)

TRANSFER CERTIFICATE

Banks are advised not to employ Transfer Certificates or otherwise to assign or transfer interests in the Loan Agreement without further ensuring that the transaction complies with all applicable laws and regulations, including the Financial Services and Markets Act 2000 and regulations made thereunder and similar statutes which may be in force in other jurisdictions

To: NORDEA BANK FINLAND PLC, LONDON BRANCH as agent on its own behalf and on behalf of the Borrower, the Banks, the Account Bank, the Arranger, the Swap Provider and the Security Agent defined in the Loan Agreement referred to below.

[Date]

Attention: [•]

This certificate ("**Transfer Certificate**") relates to a loan agreement dated [•] (the "**Loan Agreement**") and made between (1) Jemo Shipping Company Inc. (the "**Borrower**"), (2) the banks and financial institutions defined therein as banks (the "**Banks**") (3) Nordea Bank Finland Plc, London Branch as Agent, Arranger, Security Agent, Account Bank and (4) Nordea Bank Finland Plc as Swap Provider, in relation to a term loan of up to Sixteen million one hundred and twenty five thousand Dollars ($16,125,000). Terms defined in the Loan Agreement shall, unless otherwise defined herein, have the same meanings herein as therein.

In this Certificate:

the "**Transferor Bank**" means [**full name**] of [**lending office**]; and

the "**Transferee Bank**" means [**full name**] of [**lending office**].

1 The Transferor Bank with full title guarantee assigns to the Transferee Bank absolutely all rights and interests (present, future or contingent) which the Transferor Bank has as a Bank under or by virtue of the Loan Agreement and all the Security Documents in relation to that part of the [Contribution] [Commitment] of the Transferor Bank (or its predecessors in title) details of which are set out below:

	Date of Loan	Amount of Loan	Transferor Bank's [Contribution] [Commitment] to Loan	Maturity Date

2 By virtue of this Transfer Certificate and clause 15 of the Loan Agreement, the Transferor Bank is discharged [entirely from its [Contribution] [Commitment] which amounts to $[]] [from [ ] per centum ([ ]%) of its [Contribution] [Commitment], which percentage represents $[ ]].

3 The Transferee Bank hereby requests the Agent (on behalf of itself, the Borrower, the Account Bank, the Arranger, the Security Agent, the Swap Provider and the Banks) to accept the executed copies of this Transfer Certificate as being delivered pursuant to and for the purposes of clause 15.3 of the Loan Agreement so as to take effect in accordance with the terms thereof on [date of transfer].

4 The Transferee Bank:

4.1 confirms that it has received a copy of the Loan Agreement and the other Security Documents together with such other documents and information as it has required in connection with the transaction contemplated thereby;

4.2 confirms that it has not relied and will not hereafter rely on the Transferor Bank, the Agent, the Arranger, the Security Agent, the Swap Provider, the Account Bank or the Banks to check or enquire on its behalf into the legality, validity, effectiveness, adequacy, accuracy or completeness of the Loan Agreement, any of the Security Documents or any such documents or information;

4.3 agrees that it has not relied and will not rely on the Transferor Bank, the Agent, the Arranger, the Security Agent, the Swap Provider, the Account Bank or the Banks to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Borrower, or any other Security Party (save as otherwise expressly provided therein);

4.4 warrants that it has power and authority to become a party to the Loan Agreement and has taken all necessary action to authorise execution of this Transfer Certificate and to obtain all necessary approvals and consents to the assumption of its obligations under the Loan Agreement and the Security Documents; and

4.5 if not already a Bank, appoints (i) the Agent to act as its agent and (ii) the Security Agent to act as its security agent, and trustee in each case as provided in the Loan Agreement and the Security Documents and agrees to be bound by the terms of the Loan Agreement and the other Security Documents.

5 The Transferor Bank:

5.1 warrants to the Transferee Bank that it has full power to enter into this Transfer Certificate and has taken all corporate action necessary to authorise it to do so;

5.2 warrants to the Transferee Bank that this Transfer Certificate is binding on the Transferor Bank under the laws of England, the country in which the Transferor Bank is incorporated and the country in which its lending office is located; and

5.3 agrees that it will, at its own expense, execute any documents which the Transferee Bank reasonably requests for perfecting in any relevant jurisdiction the Transferee Bank's title under this Transfer Certificate or for a similar purpose.

6 The Transferee Bank hereby undertakes with the Transferor Bank and each of the other parties to the Loan Agreement and the other Security Documents that it will perform in accordance with its terms all those obligations which by the terms of the Loan Agreement and the other Security Documents will be assumed by it after delivery of the executed copies of this Transfer Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Transfer Certificate is expressed to take effect.

7 By execution of this Transfer Certificate on their behalf by the Agent and in reliance upon the representations and warranties of the Transferee Bank, the Borrower, the Agent, the Arranger, the Security Agent, the Account Bank, the Swap Provider and the Banks accept the Transferee Bank as a party to the Loan Agreement and the Security Documents with respect to all those rights and/or obligations which by the terms of the Loan Agreement

and the Security Documents will be assumed by the Transferee Bank (including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent, the Arranger, the Account Bank, the Swap Provider and the Security Agent as provided by the Loan Agreement) after delivery of the executed copies of this Transfer Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Transfer Certificate is expressed to take effect.

8 None of the Transferor Bank, the Agent, the Arranger, the Security Agent, the Account Bank, the Swap Provider or the Banks:

8.1 makes any representation or warranty nor assumes any responsibility with respect to the legality, validity, effectiveness, adequacy or enforceability of the Loan Agreement or any of the Security Documents or any document relating thereto; or

8.2 assumes any responsibility for the financial condition of the Borrower or any other Security Party or any party to any such other document or for the performance and observance by the Borrower or any other Security Party or any party to any such other document (save as otherwise expressly provided therein) and any and all such conditions and warranties, whether express or implied by law or otherwise, are hereby excluded (except as aforesaid).

9 The Transferor Bank and the Transferee Bank each undertake that they will on demand fully indemnify the Agent in respect of any claim, proceeding, liability or expense which relates to or results from this Transfer Certificate or any matter concerned with or arising out of it unless caused by the Agent's gross negligence or wilful misconduct, as the case may be.

10 The agreements and undertakings of the Transferee Bank in this Transfer Certificate are given to and for the benefit of and made with each of the other parties to the Loan Agreement and the Security Documents.

11 This Transfer Certificate shall be governed by, and shall be construed in accordance with, English law.

Transferor Bank

By: _____

Dated: _____

Transferee Bank

By: _____

Dated: _____

Agent

Agreed for and on behalf of itself as Agent, the Arranger, the Borrower, the Security Agent, the Account Bank, the Swap Provider and the Banks

NORDEA BANK FINLAND PLC, LONDON BRANCH

By: _____

Dated: _____

Note: The execution of this Transfer Certificate alone may not transfer a proportionate share of the Transferor Bank's interest in the security constituted by the Security Documents in the Transferor Bank's Bank or Transferee Bank's jurisdiction. It is the responsibility of the Transferee Bank to ascertain whether any other documents are required to perfect a transfer of such a share in the Transferor Bank's interest in such security in any such jurisdiction and, if so, to seek appropriate advice and arrange for execution of the same.

The Schedule

Outstanding Contribution: $•
Commitment: $•
Portion Transferred: •%

Administrative Details of Transferee Bank

Name of Transferee Bank:
Lending Office:

Contact Person:
(Loan Administration Department):
Telephone:
Telefax No:

Contact Person
(Credit Administration Department):
Telephone:
Telefax No:
Account for payments:

SK 23159 0002 1284962

Exhibit 8.1

SUBSIDIARIES AS AT DECEMBER 31, 2011

Subsidiary	Country of Incorporation
Ailuk Shipping Company Inc.	Marshall Islands
Bikini Shipping Company Inc.	Marshall Islands
Bikar Shipping Company Inc.	Marshall Islands
Gala Properties Inc.	Marshall Islands
Jaluit Shipping Company Inc.	Marshall Islands
Jemo Shipping Company Inc.	Marshall Islands
Kili Shipping Company Inc.	Marshall Islands
Knox Shipping Company Inc.	Marshall Islands
Lae Shipping Company Inc.	Marshall Islands
Lib Shipping Company Inc.	Marshall Islands
Majuro Shipping Company Inc.	Marshall Islands
Namu Shipping Company Inc.	Marshall Islands
Taka Shipping Company Inc.	Marshall Islands
Buenos Aires Compania Armadora S.A.	Panama
Cerada International S.A.	Panama
Changame Compania Armadora S.A.	Panama
Chorrera Compania Armadora S.A.	Panama
Cypres Enterprises Corp.	Panama
Darien Compania Armadora S.A.	Panama
Diana Shipping Services S.A.	Panama
Eaton Marine S.A.	Panama
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)

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Simeon Palios, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 20, 2012

/s/ Simeon Palios
Simeon Palios
Chief Executive Officer (Principal Executive Officer)

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Andreas Michalopoulos, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 20, 2012

/s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer and Treasurer (Principal Financial Officer)

Exhibit 13.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Diana Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2011 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: April 20, 2012

/s/ Simeon Palios
Simeon Palios
Chief Executive Officer (Principal Executive Officer)

Exhibit 13.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Diana Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2011 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: April 20, 2012

/s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer and Treasurer (Principal Financial Officer)