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, 2016

OR

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

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report : Not applicable

Commission file number 001-32458

DIANA SHIPPING INC.
(Exact name of Registrant as specified in its charter)
Diana Shipping Inc.

(Translation of Registrant's name into English)

Republic of The Marshall Islands

(Jurisdiction of incorporation or organization)

Pendelis 16, 175 64 Palaio Faliro, Athens, Greece

(Address of principal executive offices)

Mr. Ioannis Zafirakis
Tel: + 30-210-9470-100, Fax: + 30-210-9470-101
E-mail: izafirakis@dianashippinginc.com

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange
8.875% Series B Cumulative Redeemable Perpetual Preferred Shares, $0.01 par value	New York Stock Exchange
8.500% Senior Notes due 2020	New York Stock Exchange

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

None

(Title of Class)

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

None

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

As of December 31, 2016, there were 84,696,017 shares of the registrant's common stock outstanding

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

☐ Yes ☒ No

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

☐ Yes ☒ No

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

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

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

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

U.S. GAAP ☒ International Financial Reporting Standards as issued ☐ Other ☐

by the International Accounting Standards Board

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

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

☐ Yes ☒ No

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

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

☐ Yes ☐ No

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

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

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

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

In addition to these important factors and matters discussed elsewhere herein, including under the heading "Item 3.D.—Risk Factors," important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry-bulk shipping industry, changes in the supply of vessels, changes in the Company's operating expenses, including bunker prices, crew costs, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions or labor disruptions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the SEC, and the New York Stock Exchange, or the NYSE. We caution readers of this annual report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The following table sets forth our selected consolidated financial data and other operating data. The selected consolidated financial data in the table as of December 31, 2016, 2015, 2014, 2013 and 2012 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,				
	2016	2015	2014	2013	2012
	(in thousands of U.S. dollars, except for share and per share data, fleet data and average daily results)				
Statement of Operations Data:					
Time charter revenues	$ 114,259	$ 157,712	$ 175,576	$ 164,005	$ 220,785
Other revenues	-	-	-	447	2,447
Voyage expenses	13,826	15,528	10,665	8,119	8,274
Vessel operating expenses	85,955	88,272	86,923	77,211	66,293
Depreciation and amortization of deferred charges	81,578	76,333	70,503	64,741	62,010
General and administrative expenses	25,510	25,335	26,217	23,724	24,913
Management fees to related party	1,464	405	-	-	-
Gain on contract termination	(5,500)	-	-	-	-
Foreign currency gain	(253)	(984)	(528)	(690)	(1,374)
Operating income / (loss)	(88,321)	(47,177)	(18,204)	(8,653)	63,116
Interest and finance costs	(21,949)	(15,555)	(8,427)	(8,140)	(7,618)
Interest and other income	2,410	3,152	3,627	1,800	1,432
Gain / (loss) from derivative instruments	-	-	68	(118)	(518)
Gain / (loss) from equity method investments	(56,377)	(5,133)	12,668	(6,094)	(1,773)
Net income / (loss)	$ (164,237)	$ (64,713)	$ (10,268)	$ (21,205)	$ 54,639
Dividends on series B preferred shares	$ (5,769)	$ (5,769)	$ (5,080)	$ -	$ -
Net income / (loss) attributed to common stockholders	$ (170,006)	$ (70,482)	$ (15,348)	$ (21,205)	$ 54,639
Earnings / (loss) per common share, basic and diluted	$ (2.11)	$ (0.89)	$ (0.19)	$ (0.26)	$ 0.67
Weighted average number of common shares, basic and diluted	80,441,517	79,518,009	81,292,290	81,328,390	81,083,485
Balance Sheet Data:					
Cash and cash equivalents*	$ 98,142	$ 171,718	$ 199,401	$ 222,633	$ 431,624
Compensating cash balance*	23,000	21,500	19,500	18,000	15,000
Total current assets*	115,316	193,513	218,734	233,868	451,986
Vessels' net book value	1,403,912	1,440,803	1,373,133	1,320,375	1,211,138
Property and equipment, net	23,114	23,489	23,887	22,826	22,774
Total assets	1,668,663	1,836,965	1,787,122	1,701,981	1,742,802
Total current liabilities	78,225	58,889	98,092	62,297	61,477
Long-term debt (including current portion), net of deferred financing costs	598,181	600,071	484,256	431,557	459,112
Total stockholders' equity	1,056,589	1,218,366	1,282,226	1,253,392	1,266,424
* Comparative amounts have been reclassified to present compensating cash balance in a separate line					
Cash Flow Data:					
Net cash provided by/(used in) operating activities	$ (20,998)	$ 23,945	$ 44,910	$ 67,400	$ 119,886
Net cash used in investing activities	(41,619)	(155,637)	(152,513)	(245,156)	(169,913)
Net cash provided by/(used in) financing activities*	(10,959)	104,009	84,371	(31,235)	74,977

* Comparative amounts have been reclassified due to current presentation of compensating cash balance in separate line.

Fleet Data:					
Average number of vessels (1)	45.2	40.8	37.9	33.0	27.6
Number of vessels at year-end	46.0	43.0	39.0	36.0	30.0
Weighted average age of vessels at year-end (in years)	8.2	7.4	7.1	6.6	6.0

	As of and for the Year Ended December 31,				
	2016	2015	2014	2013	2012
Ownership days (2)	16,542	14,900	13,822	12,049	10,119
Available days (3)	16,447	14,600	13,650	12,029	9,998
Operating days (4)	16,354	14,492	13,564	11,944	9,865
Fleet utilization (5)	99.4%	99.3%	99.4%	99.3%	98.7%
Average Daily Results:					
Time charter equivalent (TCE) rate (6)	$ 6,106	$ 9,739	$ 12,081	$ 12,959	$ 21,255
Daily vessel operating expenses (7)	5,196	5,924	6,289	6,408	6,551

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

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

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

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

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

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

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars, and available days)				
Time charter revenues	$ 114,259	$ 157,712	$ 175,576	$ 164,005	$ 220,785
Less: voyage expenses	(13,826)	(15,528)	(10,665)	(8,119)	(8,274)
Time charter equivalent revenues	$ 100,433	$ 142,184	$ 164,911	$ 155,886	$ 212,511
Available days	16,447	14,600	13,650	12,029	9,998
Time charter equivalent (TCE) rate	$ 6,106	$ 9,739	$ 12,081	$ 12,959	$ 21,255

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

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

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

Industry Specific Risk Factors

Charter hire rates for dry bulk carriers may remain at low levels or decrease in the future, which may adversely affect our earnings.

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk carriers has varied widely, and charter hire rates for Panamax and Capesize dry bulk carriers have 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, more than half of our vessels are scheduled to come off of their current charters in 2017, based on their earliest redelivery date, for which we may be seeking new employment. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or pay any dividends in the future. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for 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 orders and deliveries, including slippage in deliveries;
- the number of shipyards and ability of shipyards to deliver vessels;
- port and canal congestion;
- the scrapping rate of older vessels;
- 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. While there has been a general decrease in new dry bulk carrier ordering since 2014, the capacity of the global dry bulk carrier fleet could increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

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

The abrupt and dramatic downturn in the dry bulk charter market, from which we derive substantially all of our revenues, has severely affected the dry bulk shipping industry and has adversely affected our business. The Baltic Dry Index, or the BDI, a daily average of charter rates for key dry bulk routes published by the Baltic Exchange Limited, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then. During 2016, the BDI ranged from a record low of 290 in February to a high of 1,257 in November. While the BDI showed improvement in 2016, it remains at low levels compared to historical highs and there can be no assurance that the dry bulk charter market will not decline further. The decline and volatility in charter rates is due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which has resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which has resulted in falling iron ore prices and increased stockpiles in Chinese ports. The decline and volatility in charter rates in the dry bulk market also affects the value of our dry bulk vessels, which follows the trends of dry bulk charter rates, and earnings on our charters, and similarly, affects our cash flows, liquidity and compliance with the covenants contained in our loan agreements.

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

Weak economic conditions throughout the world could negatively affect our earnings, financial condition and cash flows and may further adversely affect the market price of our common shares.

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

The economies of the United States, the European Union and other parts of the world continue to experience relatively slow growth or remain in recession and exhibit weak economic trends. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, 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. Any such changes could adversely affect the market price of our common shares.

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

Continued economic slowdown in the Asia Pacific region, particularly in China, may exacerbate the effect on us of continued weakness in the rest of the world, as we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of dry bulk commodities in ports in the Asia Pacific region. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China's GDP is estimated to be around 6.7% for the year ended December 31, 2016, which is China's slowest growth rate in 25 years. China and other countries in the Asia Pacific region may continue to experience slowed or even negative economic growth in the future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our earnings and ability to grow our fleet would be impeded by a continuing or worsening economic downturn in any of these countries or geographic regions.

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

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

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

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

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

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

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

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

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, 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 September 2012, the European Council established a permanent stability mechanism, the European Stability Mechanism, or the ESM, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for dry bulk cargoes and for our services. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, earnings and cash flow.

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

The market supply of dry bulk carriers has increased materially since 2009 due to a high level of new deliveries in the last few years. Although dry bulk newbuilding deliveries have been tapering off since 2014, newbuildings continued to be delivered in significant numbers through the end of 2016. While vessel supply will continue to be affected by the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or accidental losses, an over-supply of dry bulk carrier capacity could prolong the period during which low charter rates prevail. Currently, more than half of our vessels are scheduled to come off of their current charters in 2017, based on their earliest redelivery date, for which we may be seeking new employment.

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

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

marine disaster;

terrorism;

environmental accidents;

cargo and property losses or damage;

business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and

piracy.

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

World events could affect our earnings and financial condition.

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

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

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

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

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

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. While the price of fuel is currently at very low levels due to the price of oil, the price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

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

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, European Union Regulations, the United Nation's International Maritime Organization, or IMO, International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978 collectively referred to as MARPOL 73/78, or MARPOL, including the designation of Emission Control Areas, or ECAs, thereunder, the IMO International Convention for the Safety of Life at Sea of 1974, or SOLAS, the International Convention on Load Lines of 1966, or the LL Convention, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard, or the USCG, and the U.S. Environmental Protection Agency, or EPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Air Act, or the CAA, U.S. Clean Water Act, or the CWA, and the U.S. Marine Transportation Security Act of 2002. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, earnings, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. Furthermore, the 2010 explosion of the *Deepwater Horizon* and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, earnings and cash flows. For example, in April 2015, it was announced that new regulations are expected to be imposed in the United States regarding offshore oil and gas drilling and the U.S. Bureau of Safety and Environmental Enforcement, or BSEE, announced a new Well Control Rule in April 2016. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, earnings, cash flows and financial condition and our ability to pay dividends to our shareholders and interest on our Notes.

We are subject to international safety regulations and requirements imposed by our classification societies and the failure to comply with these regulations and requirements 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 Chapter IX of the SOLAS, which sets forth the IMO's International Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code. The ISM Code requires ship owners, ship managers 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.

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 a 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.

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. Moreover, 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 DOCs and the SMCs are renewed as required.

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. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates, and financial assurances with respect to our operations. 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.

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.

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

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

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

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 U.S. government and countries identified by the U.S. government as state sponsors of terrorism, including Iran, Sudan and Syria. Since July 11, 2011, none of our vessels have called on ports in Sudan or Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies such as ours and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, in 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years. In addition, the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) and Executive Order 13645 went into effect on July 1, 2013. Pursuant to the IFCA, as implemented by Executive Order 13645, a person is subject to sanctions for the provision of material support to Iranian Specially Designated Nationals, members of the Iranian energy, shipping and shipbuilding sectors and Iranian port operators. The foregoing also expanded existing Iran sanctions against persons or foreign financial institutions relating to, among other things, the sale and transport of Iranian petroleum, petroleum products and petrochemicals.

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

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

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

U.S. sanctions prohibiting certain conduct that is now permitted under the JCPOA have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from OFAC's sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of "Transition Day," set to occur on October 20, 2023, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities.

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

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

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

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

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

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

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

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

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

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

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

Company Specific Risk Factors

The market value of our vessels has declined and may further decline, which could limit the amount of funds that we can borrow and has triggered breaches of the security coverage ratio in one loan facility and could in the future trigger breaches of certain financial covenants and the security cover ratio contained in our current and future loan facilities and we may incur a loss if we sell vessels following a decline in their market values.

The market value of our vessels, which is related to prevailing freight charter rates, has declined significantly. While the 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 market value of our vessels has 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.

If the market value of our vessels declines further, we may not be in compliance with certain covenants contained in our current and future loan facilities and we may not be able to refinance our debt or obtain additional financing or incur debt on terms that are acceptable to us or at all. If we are not able to comply with the covenants in our loan facilities, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our vessels. Furthermore, if we sell any of our owned vessels at a time when prices are depressed, our business, results of operations, cash flow and financial condition could be adversely affected. Moreover, if we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings. In addition, if vessel values persist or decline further, we may have to record an impairment adjustment in our financial statements which could adversely affect our financial results.

The decrease in the market value of our vessels has caused us to breach covenants in our loan facilities, which could adversely affect our operating results.

The market values of our vessels are at low levels compared to historical averages. As at December 31, 2016, we were in compliance with all of the covenants of our loan facilities, or had obtained waivers for any non-compliance, except for the minimum hull cover ratio requirement contained in one facility for which, on November 30, 2016, we received a letter from the agent under the facility advising us that we were not in compliance with the loan to value covenant contained in the facility. Additional, in January 2017, we received a letter from another bank, which offered us a lower loan to value rate until June 30, 2017. If we are not in compliance with our loan facilities or are unable to obtain waivers, our lenders could accelerate our debt and foreclose on our fleet. In addition, if the book value of a vessel is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our operating results.

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

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

Rising crew costs could adversely affect our results of operations.

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

Diana Containerships Inc. may have going concern issues which if not addressed the value of our investment and our loan receivable may decline and may adversely affect our financial condition.

As at December 31, 2016, we had a $45.4 million outstanding balance of a loan facility plus accrued interest and owned approximately 25.73% of Diana Containerships Inc. (NASDAQ:DCIX), or Diana Containerships, which operates in the containership market. Through this investment, we are partially exposed to containership market risks such as the cyclicality and volatility of charterhire rates, the reduction in demand for container shipping due to the recent global economic recession, increased risk of charter counterparty risk due to financial pressure on liner companies as a result of a decline in global trade, and the risk of over-supply of containership capacity. As a result of the continuous decline in the containership market, at September 30, 2016, we impaired the value of our investment in Diana Containerships to its market value at that date. Containership market risks may further reduce the value of our investment in Diana Containerships. The consolidated financial statements of Diana Containerships as of and for the year ended December 31, 2016, disclose that certain conditions indicate that Diana Containerships may be unable to continue as a going concern. As at December 31, 2016, the carrying value of the investment was $5.8 million, while its market value, based on Diana Containerships' closing price on NASDAQ of $2.78, was $6.7 million. The market value of the investment as at February 15, 2017 based on Diana Containerships' closing price on NASDAQ of $2.72, was $6.6 million. If the value of our investment declines further due to other than temporary reasons we will be required to recognize additional losses and we may be required to write off part or the entire amount due from Diana Containerships.

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

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

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

As a result of the ongoing economic slump in Greece and the capital controls imposed by the government in June 2015, Diana Shipping Services S.A., our manager which has offices in Greece, may be subjected to new regulations that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Greek government new taxes or other fees. Furthermore, renewed political uncertainty and social unrest due to the worsening economic conditions and the growing refugee population in the country may undermine Greece's political and economic stability and may lead it to exit the Eurozone, which may adversely affect the operations of our manager located in Greece. We also face the risk that enhanced capital controls, strikes, work stoppages, civil unrest and violence within Greece may disrupt the operations of our manager located in Greece.

A cyber-attack could materially disrupt our business.

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

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

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

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

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

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

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

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

Since the completion of our initial public offering in March 2005, we have increased our fleet to 48 vessels in operation, as of the date of this annual report. The significant increase in the size of our fleet has imposed significant additional responsibilities on our management and staff. We may grow our fleet further in the future and this may require us to increase the number of our personnel. We 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 loan facilities and restrictive covenants in our loan facilities may impose financial and other restrictions on us.

Since February 2005 we have entered into several loan agreements to finance vessel acquisitions and the construction of newbuildings. As of December 31, 2016, we had $602.7 million outstanding under our facilities and our Notes. Our ability to borrow amounts under our facilities is subject to the execution of customary documentation relating to the facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Prior to each drawdown, we are required, among other things, to provide the lender with acceptable valuations of the vessels in our fleet confirming that the vessels in our fleet have a minimum value and that the vessels in our fleet that secure our obligations under the facilities are sufficient to satisfy minimum security requirements. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may not be able to draw down the full amount under the facilities without obtaining a waiver or consent from the lender. We will also not be permitted to borrow amounts under the facilities if we experience a change of control.

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

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

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

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

We cannot assure you that we will be able to refinance 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 and willingness of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

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

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

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

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

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. The loss of earnings while a vessel is being repaired and repositioned, as well as the actual cost of these repairs not covered by our insurance, would decrease our earnings and 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 48 vessels in operation, having a combined carrying capacity of 5.7 million dead weight tons, or dwt, and a weighted average age of 7.7 years as of February 17, 2017. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

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

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

Volatility in the London Interbank Offered Rate, or LIBOR, could affect our profitability, earnings and cash flow.

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

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

We have historically derived a significant part of our revenues from a small number of charterers. During 2016, 2015, and 2014, approximately 54%, 66% and 55%, respectively, of our revenues were 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.

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

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

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

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

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 agents encounter business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our fleet, our financial performance may be adversely affected, among other things.

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

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

We expect that we and each of our subsidiaries qualify for this statutory tax exemption for the 2016 taxable year and we will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption in future years and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, in certain circumstances we may no longer qualify for exemption under Code Section 883 for a particular taxable year if shareholders, other than "qualified shareholders", with a five percent or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to this exemption under Section 883 of the Code for any taxable year, we or our subsidiaries would be subject for those years to a 4% U.S. federal income tax on our gross U.S.-source shipping income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders, although, for the 2016 taxable year, we estimate our maximum U.S. federal income tax liability to be immaterial if we were subject to this U.S. federal income tax. See Item 10.E "Taxation" for a more comprehensive discussion of U.S. federal income tax considerations.

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

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

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

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

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

Risks Relating to Our Common Stock

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

In order to position us to take advantage of market opportunities in a deteriorating market, our board of directors, beginning with the fourth quarter of 2008, has suspended our common stock dividend. Our dividend policy will be assessed by our board of directors from time to time. We believe that this suspension has enhanced our flexibility by permitting cash flow that would have been devoted to dividends to be used for opportunities that 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, under the terms of our loan agreements, we may not be permitted to pay dividends that would result in an event of default or if an event of default has occurred and is continuing.

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

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

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

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 U.S. courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction which has developed a relatively more substantial body of case law.

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

As of the date of this annual report, Mr. Simeon Palios, our Chief Executive Officer and Chairman of the Board, beneficially owns 19,524,163 shares, or approximately 22.7% of our outstanding common stock, which is held indirectly through entities over which he exercises sole voting power. Please see "Item 7.A. Major Shareholders." While Mr. Palios and the non-voting shareholders of these entities have no agreement, arrangement or understanding relating to the voting of their shares of our common stock, they are able to influence the outcome of matters on which our shareholders are entitled to vote, including the election of directors and other significant corporate actions. The interests of these shareholders may be different from your interests.

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

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

Our amended and restated articles of incorporation authorize us to issue up to 200,000,000 shares of common stock, of which as of December 31, 2016, 84,696,017 shares were outstanding. The number of shares of common stock available for sale in the public market is limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and principal shareholders have entered into.

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

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

These provisions include:

authorizing our board of directors to issue "blank check" preferred stock without shareholder approval;

providing for a classified board of directors with staggered, three-year terms;

prohibiting cumulative voting in the election of directors;

authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote for the directors;

prohibiting shareholder action by written consent;

limiting the persons who may call special meetings of shareholders; and

establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

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

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

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

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

Risks Relating to Our Series B Preferred Stock

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

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

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

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

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

The Series B Preferred Shares represent perpetual equity interests.

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to our Notes

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

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

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

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

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

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

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

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

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

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

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

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

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

We may redeem the Notes, at our option, on or after May 15, 2017.

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

Item 4. Information on the Company

A. History and development of the Company

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

Business Development and Capital Expenditures and Divestitures

In March 2012, we entered into, through two of our wholly owned subsidiaries, shipbuilding contracts with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd, for the construction of two ice class Panamax dry bulk carriers, the *Crystalia* and the *Atalandi*, for the contract price of $29.0 million each. The *Crystalia*, was delivered on February 20, 2014 and the *Atalandi*, was delivered on May 12, 2014.

On May 17, 2013, we entered, through two separate wholly owned subsidiaries, into two shipbuilding contracts with China Shipbuilding Trading Company, Limited and Jiangnan Shipyard (Group) Co., Ltd. for the construction of two Newcastlemax dry bulk vessels, Hull H2548, named *San Francisco*, and Hull H2549, named *Newport News*, for a contract price of $48.7 million each, reduced by $1.0 million each on December 20, 2016, pursuant to addenda signed with the sellers. Both vessels were delivered in January 2017.

On May 20, 2013, we entered into a loan agreement with Eluk Shipping Company Inc., a subsidiary of Diana Containerships, to provide to it an unsecured loan of up to $50.0 million, the drawdown of which was completed on August 20, 2013. The agreement was amended on July 28, 2014, and pursuant to a further amendment dated September 9, 2015, the loan matures on March 15, 2022; bears interest at LIBOR plus a margin of 3% per annum; the back-end fee, which accumulated up to and paid on the date of the amendment, was replaced by a fee of $200,000 payable by the borrower on the maturity date. In addition, the borrowers agreed to repay the principal amount of the loan on the last day of each interest period in amounts of $5.0 million per annum, but not to exceed $32.5 million in the aggregate. The loan is subordinated to Diana Containerships' loan with the Royal Bank of Scotland. On August 24, 2016, Diana Shipping Inc.'s Independent Committee of the Board of Directors and the Board of Directors approved another amendment to the loan, pursuant to which the repayment of all outstanding principal amounts are deferred until the later of (i) the repayment or prepayment in full by Diana Containerships of a deferred amount under its loan agreement with The Royal Bank of Scotland plc, whose repayment is scheduled to commence on March 15, 2019 and to be completed not later than June 15, 2021, and (ii) September 15, 2018. The amendment also changes the borrower under the loan to another wholly-owned subsidiary of Diana Containerships and provides for an increase of the interest rate for the period between September 12, 2016 (the effective date of the amendment) and December 31, 2018 to 3.35% per annum over LIBOR.

On May 24, 2013, we entered into, through two separate wholly-owned subsidiaries, a term loan facility for up to $30.0 million with The Export-Import Bank of China, or CEXIM Bank, having a majority interest and DNB Bank ASA, as agent, to partly finance, after delivery, the construction cost of our two newbuilding Ice Class Panamax dry bulk carriers, the *Crystalia* and the *Atalandi*, which we drew down on May 22, 2014.

On June 18, 2013, we signed, through two separate wholly-owned subsidiaries, a term loan facility for up to $18.0 million with Deutsche Bank Aktiengesellschaft Filiale Deutschlandgeschäft, or Deutsche Bank, and on June 20, 2013, we completed the drawdown of $18.0 million in order to partially finance the acquisition costs of the *Myrto* and the *Maia*, both delivered earlier in 2013. On the same date, our wholly owned subsidiary, Bikini Shipping Company Inc., entered into a supplemental agreement with Deutsche Bank in order to amend the terms of its loan agreement dated October 8, 2009 with respect to the cross collateralization of the *New York* with *Maia* and *Myrto*. The agreement between Deutsche Bank and Bikini was terminated on March 10, 2015 following full repayment of the outstanding loan balance and on March 20, 2015, we prepaid the outstanding indebtedness under the loan agreement for *Myrto* and *Maia*, of $15.8 million.

On August 8, 2013, Diana Shipping Services S.A., or DSS, our wholly-owned subsidiary, was found guilty on felony counts and on December 5, 2013 was sentenced by the United States District Court in Norfolk, Virginia to a fine of $1.1 million, which was fully settled in two installments, and a period of probation of three years and six months, as a result of a conviction in which DSS was held vicariously liable for the actions of the chief engineer and second assistant engineer of the *Thetis*, who were found guilty by the Court of violating several U.S. statutes and regulations in failing to properly handle waste oils, maintain required records and for obstruction of justice. In addition, the sentence includes a requirement to maintain an enhanced system subject to independent audit for managing waste oils on vessels managed by DSS. The probation period is expected to end in June 2017.

On January 8, 2014, we entered, through a separate wholly-owned subsidiary, into a shipbuilding contract with Yangzhou Dayang Shipbuilding Co., Ltd. and Shanghai Sinopacific International Trade Co., Ltd., and since April 21, 2014 with Sumec Marine Co., Ltd., pursuant to an addendum, for the construction of a Kamsarmax dry bulk vessel, Hull DY6006, for a contract price of $28.8 million. On October 31, 2016, we provided a notice of cancellation of the shipbuilding contract pursuant to our right under the contract to cancel the contract due to a delay in delivery of 150 days after the original delivery date and to claim a refund of the pre-delivery installment payments together with interest at a rate of 5% per annum, amounting to $9.4 million, which was received in December 2016.

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

On February 24, 2014, we completed a public offering of 2,600,000 shares of 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares, par value $0.01 per share at $25.00 per share. We received net proceeds from the offering of $62.7 million, net of underwriting discount and offering expenses.

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

In 2014, we, through two separate wholly-owned subsidiaries, acquired from unaffiliated third parties the G. P. Zafirakis, a new-building Capesize dry bulk vessel, for a purchase price of $58.0 million, which was delivered in August 2014 and the Santa Barbara, a new-building Capesize dry bulk vessel, for a purchase price of $50.0 million, which was delivered in January 2015.

On July 29, 2014, we invested $40.0 million to acquire common stock of Diana Containerships.

On December 18, 2014, we entered into, through two separate wholly-owned subsidiaries, a term loan facility for up to $55.0 million with BNP Paribas to finance part of the acquisition cost of the *G. P. Zafirakis* and the *P. S. Palios*. We completed the drawdown of $53.5 million on December 19, 2014.

In December 2014, DSS acquired jointly with two other related entities, from unrelated individuals, a plot of land for an aggregate purchase price of €2.0 million or $2.5 million (based on the exchange rate of U.S. Dollars to Euro as of the date of acquisition). DSS paid one third of the purchase price amounting to $0.9 million, including additional purchase costs incurred. The plot is under the common ownership of the joint purchasers.

On March 17, 2015, we entered into, through eight separate wholly-owned subsidiaries, a term loan facility of up to $110.0 million with Nordea Bank AB, London Branch, or Nordea, to refinance the existing agreements we had with the bank for working capital and general corporate purposes. We completed the drawdown of $93.1 million on March 19, 2015 and we fully repaid all outstanding indebtedness with the bank at that date.

On March 26, 2015, we entered into, through three wholly-owned subsidiaries, a loan agreement with ABN AMRO Bank N.V. for up to $53.0 million to refinance part of the acquisition cost of the vessels *New York*, *Myrto* and *Maia*. On March 30, 2015, we drew down the amount of $50.16 million under the loan facility.

On April 20, 2015, we entered into, through a wholly-owned subsidiary, an agreement to acquire from an unrelated third party a new-building Capesize dry bulk vessel, named *New Orleans*, for a purchase price of $43.0 million. The vessel was delivered on November 10, 2015.

On April 27, 2015, we entered into, through a wholly-owned subsidiary, a memorandum of agreement with an unrelated third party to acquire a Kamsarmax dry bulk vessel, renamed to *Medusa*, for a purchase price of $18.05 million. The vessel was delivered in June 2015.

On April 29, 2015, we entered into, through a wholly-owned subsidiary, a loan agreement with Danish Ship Finance A/S for a loan facility of $30.0 million, drawn on April 30, 2015 to partly finance the acquisition cost of the *Santa Barbara*.

On May 20, 2015, we offered $63.3 million aggregate principal amount of 8.5% Senior Notes due 2020 (the "Notes"), including an overallotment, at the price of $25.0 per Note. As part of the offering, the underwriters sold $12.8 million aggregate principal amount of the Notes to, or to entities affiliated with, the Company's chief executive officer, Mr. Simeon Palios, and other executive officers and certain directors of the Company at the public offering price. As of May 29, 2015, the Notes are trading on the NYSE under the ticker symbol "DSXN". The Notes bear interest from May 28, 2015 at a rate of 8.5% per year and will mature on May 15, 2020. Interest is payable quarterly in arrears on the 15th day of February, May, August and November of each year, commencing on August 15, 2015. The Company may redeem the Notes at its option, in whole or in part, at any time on or after May 15, 2017 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Notes include financial and other covenants, including maximum net borrowings and minimum tangible net worth.

On May 7, 2015, our wholly owned subsidiary Diana Ship Management Inc. and Wilhelmsen Ship Management Holding Limited, an unaffiliated third party, established Diana Wilhelmsen Management Limited, or DWM, a 50/50 joint venture, with the purpose of providing management services to a number of vessels in our fleet. The DWM office is located in Limassol, Cyprus and currently it provides services to seven of our vessels.

On July 22, 2015, we entered into a loan agreement with BNP Paribas for a loan of $165.0 million, drawn on July 24, 2015 to refinance the revolving credit facility with the Royal Bank of Scotland. In this respect, the revolving credit facility, having an outstanding balance of $195.0 million, was voluntarily prepaid in full and the related agreement was terminated.

On September 30, 2015, we entered into, through two wholly-owned subsidiaries, a term loan agreement with ING Bank N.V. for a loan of up to $39.7 million, drawn in two tranches, one in October 2015 and one in November 2015, to finance part of the acquisition cost of the *Medusa* and the *New Orleans*, delivered in June and November 2015 respectively.

On November 2, 2015, we entered into, through a wholly-owned subsidiary, a memorandum of agreement with an unrelated third party to acquire a Capesize dry bulk vessel, named *Seattle*, for a purchase price of $28.5 million, which was delivered in November 2015.

On January 7, 2016, we entered into, through the three wholly-owned subsidiaries with vessels under construction, a loan agreement with the CEXIM Bank for a loan of up to $75.7 million to finance part of the construction cost of these vessels. On January 4, 2017, we drew down $57.24 million to finance part of the construction cost of the *San Francisco* and the *Newport News*, both delivered on January 4, 2017. On February 6, 2017, we signed a Deed of Release with the bank, pursuant to which, the owner of Hull DY6006 was released from all of its obligations under the loan agreement as a borrower as a result of the cancellation of its shipbuilding contract with the yards.

On February 4, 2016, we entered into, through three separate wholly-owned subsidiaries, three Memoranda of Agreement to acquire from a related party three Panamax vessels for an aggregate purchase price of $39.8 million, reduced to $39.3 million pursuant to addendum agreements dated March 4, 2016. Two of the vessels were delivered in March 2016 and the third vessel was delivered in May 2016. The Company had agreed to acquire the vessels from entities affiliated with Mrs. Semiramis Paliou and Mrs. Aliki Paliou, each of whom is a family member of the Company's Chief Executive Officer and Chairman of the Board. Mrs. Semiramis Paliou is also a director of the Company. The transaction was approved unanimously by a committee of the Board of Directors established for the purpose of considering the transaction and consisting of the Company's independent directors and each of its executive directors other than Mrs. Semiramis Paliou and Mr. Simeon Palios. The agreed upon purchase price of the vessels was based, among other factors, on independent third party broker valuations obtained by the Company.

On March 29, 2016, we entered into, through two wholly-owned subsidiaries, a term loan agreement with ABN AMRO Bank N.V. for a loan of $25.755 million, drawn on March 30, 2016, to finance the acquisition cost of the *Selina* and the *Ismene.*

On May 10, 2016, we entered into, through one wholly-owned subsidiary, a term loan agreement with DNB Bank ASA and the CEXIM Bank for a loan of $13.51 million, drawn on the same date, being the purchase price of the *Maera*.

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

Please see "Item 5.B Liquidity and Capital Resources" for a discussion of our loan facilities.

B. Business overview

We are a global provider of shipping transportation services. We specialize in the ownership of dry bulk vessels. Currently, our operating fleet consists of 48 dry bulk carriers, of which 23 are Panamax, four are Kamsarmax, three are Post-Panamax, 14 are Capesize and four are Newcastlemax vessels, having a combined carrying capacity of approximately 5.7 million dwt.

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

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

As of December 31, 2014, our fleet consisted of 39 vessels of which 20 were Panamax, three were Kamsarmax, three were Post-Panamax, eleven were Capesize and two were Newcastlemax vessels, having a combined carrying capacity of approximately 4.4 million dwt, and a weighted average age of 7.1 years. In addition, we had three vessels under construction with expected delivery in 2016 and we had agreed to acquire *Santa Barbara*, which was delivered in January 2015.

During 2016, 2015 and 2014, we had a fleet utilization of 99.4%, 99.3% and 99.4%, respectively, our vessels achieved daily time charter equivalent rates of $6,106, $9,739 and $12,081, respectively, and we generated revenues of $114.3 million, $157.7 million and $175.6 million, respectively.

The following table presents certain information concerning the dry bulk carriers in our fleet, as of February 16, 2017.

Vessel BUILT DWT	Sister Ships*	Gross Rate (USD Per Day)	Com**	Charterers	Delivery Date to Charterers***	Redelivery Date to Owners****	Notes
23 Panamax Bulk Carriers							
1DANAE 2001 75,106	A	$4,900	5.00%	Dampskibsselskabet Norden A/S, Copenhagen	9-Dec-15	11-Feb-17	1
2DIONE	A	$4,350	5.00%	Nidera S.P.A., Roma	4-Feb-16	28-Jan-17	
		$7,200	5.00%	Caravel Shipping Limited,	3-Feb-17	4-May-17	
		$7,050	5.00%	Hong Kong	4-May-17	3-Nov-17 - 18-Feb-18	
2001 75,172							
3NIREFS	A	$4,600	5.00%	Transgrain Shipping B.V., Rotterdam	15-Jan-16	14-Feb-17	
		$6,500	5.00%	Raffles Shipping International Pte Ltd, Singapore	14-Feb-17	31-Mar-17	2
2001 75,311							
4ALCYON	A	$5,000	5.00%	Dampskibsselskabet Norden A/S, Copenhagen	4-May-16	4-May-17 - 4-Sep-17	
2001 75,247							
5TRITON	A	$6,300	5.00%	Windrose SPS Shipping and Trading S.A., Geneva	25-Oct-16	25-Mar-17 - 9-Jun-17	
2001 75,336							
6OCEANIS	A	$5,200	5.00%	Nidera S.P.A., Roma	30-Jun-16	30-Mar-17 - 30-May-17	
2001 75,211							
7THETIS	B	$5,150	5.00%	Transgrain Shipping B.V., Rotterdam	19-Jun-16	19-Apr-17 - 3-Aug-17	
2004 73,583							
8PROTEFS	B	$4,500	5.00%	Transgrain Shipping B.V., Rotterdam	23-Feb-16	25-Feb-17 - 23-Jun-17	3
2004 73,630							
9CALIPSO	B	$6,020	5.00%	Windrose SPS Shipping and Trading S.A., Geneva	24-Aug-16	24-Feb-17 - 8-Apr-17	3
2005 73,691							
10CLIO	B	$5,350	5.00%	Transgrain Shipping B.V., Rotterdam	22-May-16	22-Apr-17 - 22-Jul-17	
2005 73,691							
11NAIAS	B	$7,500	5.00%	Glencore Agriculture B.V., Rotterdam	27-Dec-16	12-Jul-17 - 11-Nov-17	
2006 73,546							
12ARETHUSA	B	$5,000	5.00%	United Bulk Carriers International S.A., Luxembourg	10-Jun-16	23-Jan-17	4
		$7,200	5.00%	Noble Resources International Pte. Ltd., Singapore	23-Jan-17	23-Nov-17 - 23-Mar-18	
2007 73,593							
13ERATO	C	$4,650	5.00%	Glencore Grain B.V., Rotterdam	26-Mar-16	25-Feb-17 - 26-May-17	3
2004 74,444							
14CORONIS	C	$4,750	5.00%	Narina Maritime Ltd	19-Mar-16	24-Feb-17 - 19-May-17	3
2006 74,381							
15MELITE	D	$8,000	5.00%	Uniper Global Commodities SE, Düsseldorf	6-Dec-16	6-Jul-17 - 6-Oct-17	
2004 76,436							
16MELIA	D	$7,200	5.00%	Nidera S.P.A., Roma	24-Oct-15	20-Feb-17 - 24-Feb-17	3
2005 76,225							
17ARTEMIS		$5,350	5.00%	Bunge S.A., Geneva	7-Jun-16	7-Apr-17 22-Jul-17	
2006 76,942							
18LETO		$7,750	5.00%	Glencore Agriculture B.V., Rotterdam	29-Dec-16	29-Sep-17 - 29-Jan-18	
2010 81,297							
19SELINA	E	$5,800	5.00%	Dampskibsselskabet Norden A/S, Copenhagen	24-Mar-16	24-Jan-17	
		$4,500	5.00%	BG Shipping Co., Limited,	24-Jan-17	23-Feb-17	
		$7,100	5.00%	Hong Kong	23-Feb-17	24-Oct-17 - 8-Feb-18	
2010 75,700							
20MAERA	E	$4,500	5.00%	United Bulk Carriers International S.A., Luxembourg	10-May-16	23-Feb-17 - 28-Apr-17	3
2013 75,403							
21ISMENE		$5,850	5.00%	Glencore Grain B.V., Rotterdam	7-Aug-16	23-May-17 - 22-Sep-17	
2013 77,901							
22CRYSTALIA	F	$6,250	5.00%	SwissMarine Services S.A., Geneva	28-Jun-16	28-May-17 28-Aug-17	
2014 77,525							
23ATALANDI	F	$5,300	5.00%	Glencore Grain B.V., Rotterdam	26-Mar-16	26-Nov-17 - 26-Apr-18	
2014 77,529							

4 Kamsarmax Bulk Carriers							
24MAIA 2009 82,193	G	$7,500	5.00%	RWE Supply & Trading GmbH, Essen	13-Nov-15	13-Apr-17 - 13-Jul-17	
25MYRSINI 2010 82,117	G	$5,550	5.00%	RWE Supply & Trading GmbH, Essen	9-Mar-16	9-Mar-17 - 24-Jun-17	
26MEDUSA 2010 82,194	G	$6,300	5.00%	Quadra Commodities S.A., Geneva	7-Apr-16	15-Mar-17 - 30-Jul-17	
27MYRTO 2013 82,131	G	$6,000 $8,000	4.75% 4.75%	Cargill International S.A., Geneva	24-Dec-15 17-Jan-17	17-Jan-17 17-Jan-18 - 17-Apr-18	
3 Post-Panamax Bulk Carriers							
28ALCMENE 2010 93,193		$6,750	5.00%	ADM International Sarl, Rolle, Switzerland	13-May-15	25-Feb-17 - 2-Jun-17	3
29AMPHITRITE 2012 98,697	H	$7,700	5.00%	Bunge S.A., Geneva	15-Jul-15	30-Apr-17 - 30-Aug-17	
30POLYMNIA 2012 98,704	H	$5,650	4.75%	Cargill International S.A., Geneva	15-Dec-15	25-Feb-17 - 15-Mar-17	3
14 Capesize Bulk Carriers							
31NORFOLK 2002 164,218		$4,350	5.00%	SwissMarine Services S.A., Geneva	28-Mar-16	23-Feb-17 - 28-Mar-17	3
32ALIKI 2005 180,235		$5,300 $10,300	5.00% 5.00%	SwissMarine Services S.A., Geneva	16-Jan-16 14-Feb-17	14-Feb-17 30-Dec-17 - 14-Apr-18	
33BALTIMORE 2005 177,243		$7,750 $11,300	4.75% 4.75%	Cargill International S.A., Geneva	29-Jul-16 16-Feb-17	16-Feb-17 16-Mar-18 - 1-Jul-18	5
34SALT LAKE CITY 2005 171,810		BCI 4TCs AVG + 3.5% $9,000	5.00% 5.00%	K Noble Hong Kong Ltd., Hong Kong Uniper Global Commodities SE, Düsseldorf	7-Feb-15 20-Jan-17	20-Jan-17 20-Jan-18 - 20-May-18	
35SIDERIS GS 2006 174,186	I	$6,500	5.00%	Rio Tinto Shipping (Asia) Pte., Ltd., Singapore	22-Dec-15	23-Feb-17 - 7-Jul-17	3,6
36SEMIRIO 2007 174,261	I	$4,800	5.00%	SwissMarine Services S.A., Geneva	6-Feb-16	25-Feb-17 - 6-May-17	3
37BOSTON 2007 177,828	I	$13,000	4.75%	Clearlake Shipping Pte. Ltd., Singapore	9-Aug-15	25-May-17 - 24-Oct-17	7
38HOUSTON 2009 177,729	I	$5,150 $10,000	5.00% 5.00%	SwissMarine Services S.A., Geneva	29-Jan-16 17-Feb-17	17-Feb-17 2-Mar-18 - 17-May-18	5,8
39NEW YORK 2010 177,773	I	$5,200	5.00%	Rio Tinto Shipping (Asia) Pte., Ltd., Singapore	3-Feb-16	24-Feb-17 - 18-May-17	3
40SEATTLE 2011 179,362	J	$7,300 $11,700	4.75% 5.00%	SwissMarine Services S.A., Geneva Koch Shipping Pte. Ltd., Singapore	9-Dec-15 8-Feb-17	8-Feb-17 8-Apr-18 - 23-Jul-18	
41P. S. PALIOS 2013 179,134	J	$13,000 $10,550	5.00% 5.00%	RWE Supply & Trading GmbH, Essen Koch Shipping Pte. Ltd., Singapore	18-Sep-15 27-Jan-17	27-Jan-17 27-Jan-18 - 11-Jun-18	
42G. P. ZAFIRAKIS 2014 179,492	K	$6,500	5.00%	RWE Supply & Trading GmbH, Essen	14-Feb-16	14-May-17 - 14-Aug-17	
43SANTA BARBARA 2015 179,426	K	$7,500 $12,000	5.00% 4.75%	RWE Supply & Trading GmbH, Essen Cargill International S.A., Geneva	18-Dec-15 24-Jan-17	24-Jan-17 9-Jan-18 - 24-Apr-18	
44NEW ORLEANS 2015 180,960		$11,250	5.00%	Koch Shipping Pte. Ltd., Singapore	10-Dec-16	10-Dec-17 - 10-Apr-18	

4 Newcastlemax Bulk Carriers

45	LOS ANGELES 2012 206,104	L	$7,750 BCI_2014 5TCs AVG + 14%	5.00% 5.00%	SwissMarine Services S.A., Geneva	9-Dec-15 22-Jan-17	14-Jan-17 7-Feb-18 - 22-Apr-18	9
46	PHILADELPHIA 2012 206,040	L	$6,450	5.00%	RWE Supply & Trading GmbH, Essen	20-Jan-16	22-Feb-17 - 1-Mar-17	3
47	SAN FRANCISCO 2017 208,006	M	$11,750	5.00%	Koch Shipping Pte. Ltd., Singapore	5-Jan-17	5-Jan-18 - 20-May-18	
48	NEWPORT NEWS 2017 208,021	M	BCI_2014 5TCs AVG + 24%	5.00%	SwissMarine Services S.A., Geneva	10-Jan-17	10-Nov-18 - 10-Mar-19	

* Each dry bulk carrier is a "sister ship", or closely similar, to other dry bulk carriers that have the same letter.
** Total commission percentage paid to third parties.
*** In case of newly acquired vessel with time charter attached, this date refers to the expected/actual date of delivery of the vessel to the Company.
**** Range of redelivery dates, with the actual date of redelivery being at the Charterers' option, but subject to the terms, conditions, and exceptions of the particular charterparty.

1 Currently without an active charterparty.
2 Redelivery date based on an estimated time charter trip duration of about 45 days.
3 Based on latest information.
4 As per addendum dated January 2, 2017, charterers exercised their option to extend the initially agreed maximum redelivery date, i.e. January 10, 2017 and pay US$7,000 per day.
5 Estimated date.
6 Vessel off-hire for drydocking from October 24, 2016 to November 11, 2016.
7 Clearlake Shipping Pte. Ltd., Singapore is a member of the Gunvor Group.
8 Charterers will pay US$5,150 per day for the first 15 days of the charter period.
9 Vessel on scheduled drydocking from January 14, 2017 to January 22, 2017.

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

Management of Our Fleet

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

On June 1, 2010, Diana Enterprises Inc., or Diana Enterprises, a related party controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, was appointed to act as broker to assist in providing services to us. Brokerage fees are included in "General and Administrative expenses" in our statement of operations. The terms of this relationship are currently governed by a Brokerage Services Agreement dated April 1, 2016.

Our Customers

Our customers include national, regional and international companies, such as Cargill International S.A., EDF Trading Ltd, RWE Supply and Trading Gmbh, Clearlake Shipping Pte Ltd. During 2016, four of our charterers accounted for 54% of our revenues: RWE Supply (19%), Swissmarine Services S.A. (15%), Cargill (10%), and Glencore (10%). During 2015, four of our charterers accounted for 66% of our revenues: EDF Trading (10%), Glencore (20%), RWE Supply (24%) and Clearlake (12%). During 2014, four of our charterers accounted for 55% of our revenues: EDF Trading (15%), Cargill International S.A. (18%), RWE Supply (10%) and Clearlake (12%).

We charter our dry bulk carriers to customers primarily pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. In 2016, we paid commissions that ranged from 4.75% to 5.0% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter.

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

The Dry Bulk Shipping Industry

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

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

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

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

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

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

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

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

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The average age at which a vessel is scrapped dropped to 23 years in 2016 from 25 years in 2015 and 27 years in 2014.

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 2014, the BDI ranged from a high of 2,113 in January to a low of 723 in July. In 2015, the BDI ranged from a high of 1,222 in August to a low of 471 in December. In 2016, the BDI ranged from a record low of 290 in February to a high of 1,257 in November.

Vessel Prices

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

Competition

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

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

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

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

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

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

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

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

Permits and Authorizations

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

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

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

Pursuant to Section 13(r) of the Exchange Act, we note that for the period covered by this annual report, four of our vessels made one port call each to Iran in 2016.

The vessel *Amphitrite* made a call to the port of Bandar Imam Khomeini on February 24, 2016, discharging corn, and remained in the port of Bandar Imam Khomeini during 2016 for seven days. During this time the *Amphitrite* was on time charter to Bunge S.A. at a gross rate of $7,700 per day.

The vessel *Artemis* made a call to the port of Bandar Imam Khomeini on October 4, 2016, discharging sugar, and remained in the port of Bandar Imam Khomeini for 20 days. During this time the *Artemis* was on time charter to Bunge S.A. at a gross rate of $5,350 per day.

The vessel *Melite* made a call to the port of Bandar Imam Khomeini on March 4, 2016, discharging corn, and remained in the port of Bandar Imam Khomeini for eight days. During this time the *Melite* was on time charter to Cargill International S.A. at a gross rate of $7,250 per day.

The vessel *Myrto* made a call to the port of Bandar Imam Khomeini on March 3, 2016, discharging soya bean meal and pellets, and remained in the port of Bandar Imam Khomeini for 34 days. During this time the *Myrto* was on time charter to Cargill International S.A. at a gross rate of $6,000 per day.

The aggregate gross revenue attributable to these 69 days that our vessels remained in the port of Bandar Imam Khomeini was approximately $0.4 million. As we do not attribute profits to specific voyages under a time charter, we have not attributed any profits to the voyages which included these port calls. Our charter party agreements for our vessels restrict the charterers from calling in Iran in violation of U.S. sanctions, or carrying any cargo to Iran which is subject to U.S. sanctions. However, there can be no assurance that the four vessels referenced above or another of our vessels will not, from time to time in the future on charterer's instructions, perform voyages which would require disclosure pursuant to Exchange Act Section 13(r).

Environmental and Other Regulations

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 USCG, harbor master or equivalent), classification societies; flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates 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 U.S. and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other approvals necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly strict requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident, such as the 2010 Deepwater Horizon oil spill, that results in significant oil pollution, release of hazardous substances, loss of life, or otherwise causes significant adverse environmental impact could result in additional legislation, regulation, or other requirements that could negatively affect our profitability.

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

International Maritime Organization

The IMO has adopted MARPOL and it entered into force on October 2, 1983. MARPOL 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 dry bulk carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI, separately adopted by the IMO in September of 1997, related to air emissions, which entered into force on 19 May 2005.

In 2013, the IMO's Marine Environment Protection Committee, or MEPC, adopted by resolution amendments to the MARPOL Annex I Conditional Assessment Scheme, or CAS. The amendments, which became effective on October 1, 2014, pertain to revising references to the inspections of bulk carriers and tankers after the 2011 ESP Code, which enhances the programs of inspections, becomes mandatory.

Air Emissions

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

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 sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI required that fuel oil contain no more than 3.50% sulfur. On October 27, 2016, at its 70th session, or MEPC 70, MEPC announced its decision concerning the implementation of regulations mandating a reduction is sulfur emissions from the current 3.50% to 0.5% as of the beginning of 2020 rather than pushing the deadline back to 2025. By 2020 ships will now have to either remove sulfur from emissions through the use of emission scrubbers or buy fuel with low sulfur content.

Sulfur content standards are even stricter within certain ECAs. As of January 1, 2015, ships operating within an ECA may not use fuel with sulfur content in excess of 0.1%. Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea, the North Sea and certain coastal areas of North America have been so designated. Furthermore as of January 1, 2014 the applicable areas of the U.S. Caribbean Sea adjacent to Puerto Rico and the U.S. Virgin Islands were designated ECAs. Ocean-going vessels in these areas will be subject to stringent emissions controls and may cause us to incur additional costs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures, operational changes, or otherwise increase the costs of our operations.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships in part to address greenhouse gas emissions MEPC has given extensive consideration to control of greenhouse gas emissions from ships and finalized in July 2009 a package of specific technical and operational reduction measures. In March 2010 MEPC started the consideration of making the technical and operational measures mandatory for all ships irrespective of flag and ownership. This work was completed in July 2011 with the breakthrough adoption of technical measures for new ships and operational reduction measures for all ships, which are, consequently, the first ever mandatory global greenhouse gas reduction regime for an entire industry sector. The adopted measures add to MARPOL Annex VI a new Chapter 4 entitled "Regulations on energy efficiency for ships". Currently operating ships will be required to develop Ship Energy Efficiency Plans, or SEEMPs, and minimum energy efficiency levels per capacity mile, outlined in the Efficiency Design Index, or EEDI, will apply to new ships. By 2025, all new ships built will be 30% more energy efficient than those built in 2014. The regulations apply to all ships over 400 gross tonnage and above and entered into force through the tacit acceptance procedure on 1 January 2013.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation with a "Tier II" emission limit for engines installed on or after January 1, 2011; then with a more stringent "Tier III" emission limit for engines installed on or after January 1, 2016 operating in ECAs. Marine diesel engines installed on or after January 1, 1990 but prior to January 1, 2000 are required to comply with "Tier I" emission limits.

At MEPC 70, MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxides, effective January 1, 2021. It is expected that these areas will be formally designated after the draft amendments are presented at MEPC's next session. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

Safety Management System Requirements

The IMO also adopted SOLAS and the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL Convention standards. May 2012 SOLAS Convention amendments entered into force as of January 1, 2014. The Convention on Limitation of Liability for Maritime Claims of 1976, as amended, or the LLMC, was also recently amended and the amendments went into effect on June 8, 2015. The amendments alter the limits of liability for loss of life or personal injury claims and property claims against ship-owners.

International Labor Organization

The International Labor 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 entered into force on August 20, 2013. Amendments to MLC 2006 were adopted in 2014 and came into force in 2016. The MLC 2006 amendments require us to develop new procedures to ensure full compliance.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. All ships will also have to carry a ballast water record book and an International Ballast Water Management Certificate. The BWM Convention enters into force 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. On September 8, 2016, this threshold was met (with 52 countries making up 35.14%). Thus, the BWM Convention will enter into force on September 8, 2017. Many of the implementation dates originally written in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period for installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems, or BWMS. For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This in effect makes all vessels constructed before the entry into force date 'existing' vessels, and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force of the Convention. At MEPC 70, MEPC adopted updated "guidelines for approval of ballast water management systems (G8)." G8 updates previous guidelines concerning procedures to approve BWMS. Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers and the costs of ballast water treatments may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The United States for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. We believe that the costs of such compliance would be material; however it is difficult to predict the overall impact of such a requirement on our operations

The IMO adopted 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 LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

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

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

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

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

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

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 December 21, 2015, the USCG adjusted the limits of OPA liability for non-tank vessels (e.g. dry bulk), edible oil tank vessels, and any oil spill response vessels, to the greater of $1,100 per gross ton or $939,800 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

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

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law.

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

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. For example, on August 15, 2012, the BSEE implemented a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices. A new rule issued by the U.S. Bureau of Ocean Energy Management, or BOEM, that increased the limits of liability of damages for offshore facilities under OPA based on inflation took effect in January 2015. In December 2015, the BSEE announced a new pilot inspection program for offshore facilities. 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, regulations, or other requirements 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.

Other Environmental Initiatives

The CWA prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. Furthermore, many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The EPA regulates the discharge of ballast and bilge water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP, authorizing ballast and bilge water discharges and other discharges incidental to the operation of vessels. For a new vessel delivered to an owner or operator after September 19, 2009 to be covered by the VGP, the owner must submit a Notice of Intent at least 30 days before the vessel operates in U.S. waters. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. On March 28, 2013, the EPA re-issued the VGP for another five years; this VGP took effect of December 19, 2013. The new VGP focuses on authorizing discharges incidental to operations of commercial vessels. The VGP also contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants.

USCG regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the USCG implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004. Compliance with the EPA and the USCG 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.

As of January 1, 2014, vessels are technically subject to the phasing-in of these standards. As a result, the USCG has provided waivers to vessels which cannot install the as-yet unapproved technology. The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers.

It should also be noted that in October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remains in effect until the EPA issues a new VGP.

Compliance with the EPA and the USCG regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters. In addition, certain states have enacted more stringent discharge standards as conditions to their required certification of the VGP. It presently remains unclear how the ballast water requirements set forth by the EPA, the USCG, and IMO BWM Convention, some of which are in effect and some which are pending, will co-exist.

The CAA requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA also requires states to draft State Implementation Plans, 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.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger.

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

With effect from January 1, 2010, the Directive 2005/33/EC of the European Parliament and of the Council of July 6, 2005, amending Directive 1999/32/EC came into force. The objective of the directive is to reduce emission of sulfur dioxide and particulate matter caused by the combustion of certain petroleum derived fuels. The directive imposes limits on the sulfur content of such fuels as a condition of their use within a Member State territory. The maximum sulfur content for marine fuels used by inland waterway vessels and ships at berth in ports in EU countries after January 1, 2010, is 0.10% by mass. As of January 1, 2015, all vessels operating within ECAs worldwide, which includes the North Sea, the Baltic Sea, and the English Channel, must comply with 0.10% sulfur requirements. In 2012, the European Commission also adopted amendments to Directive 1999/32/EC, which aligns requirements with those imposed by the revised MARPOL Annex VI that introduced stricter sulfur limits.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. The 2015 United Nations Convention on Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016. The Paris Agreement does not directly limit greenhouse gas emissions from ships.

The IMO is planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessels, and in January 2012 the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships.

In April 2013, the European Parliament rejected proposed changes to the European Union Emissions Law regarding carbon trading. In June 2013, the European Commission developed a strategy to integrate maritime emissions into the overall European Union Strategy to reduced greenhouse gas emissions. Furthermore, in December 2013, the European Union environmental ministers discussed draft rules to implement monitoring and reporting of carbon dioxide emissions from ships. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at European Union ports from January 2018 collect and publish data on carbon dioxide emissions and other information.

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 received petitions from the California Attorney General and various environmental groups seeking such regulation. Furthermore, in the United States, individual states can also enact environmental regulations. For example, California has introduced caps for greenhouse gas emissions and, in the end of 2016, signaled it might take additional action regarding climate change.

Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the Maritime Transportation Security Act of 2002, or MTSA. To implement certain portions of the MTSA, in July 2003, the USCG 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 EPA.

Similarly, in December 2002, amendments to the SOLAS Convention created a new chapter of the convention dealing specifically with maritime security. The new Chapter XI-2 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. The following are among the various requirements, some of which are found in SOLAS:

on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
the development of vessel security plans;
ship identification number to be permanently marked on a vessel's hull;
a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
compliance with flag state security certification requirements.

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

The USCG regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code.

Inspection by Classification Societies

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

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

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

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

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

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

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

Most vessels are also dry-docked 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.

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

Risk of Loss and Liability Insurance

General

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

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

Hull & Machinery and War Risks Insurance

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

Protection and Indemnity Insurance

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

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

C. Organizational structure

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

D. Property, plants and equipment

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

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

A. Operating results

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

Factors Affecting Our Results of Operations

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

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

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

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

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

TCE rates. We define Time Charter Equivalent, or TCE rates as our time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a non-GAAP measure and is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.

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

	Year Ended December 31,		
	2016	2015	2014
Ownership days	16,542	14,900	13,822
Available days	16,447	14,600	13,650
Operating days	16,354	14,492	13,564
Fleet utilization	99.4%	99.3%	99.4%
Time charter equivalent (TCE) rate (1)	$ 6,106	$ 9,739	$ 12,081

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

Time Charter Revenues

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

the duration of our charters;

our decisions relating to vessel acquisitions and disposals;

the amount of time that we spend positioning our vessels;

the amount of time that our vessels spend in drydock undergoing repairs;

maintenance and upgrade work;

the age, condition and specifications of our vessels;

levels of supply and demand in the dry bulk shipping industry; and

other factors affecting spot market charter rates for dry bulk carriers.

Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market generate revenues that are less predictable but may enable their owners to capture increased profit margins during periods of improvements in charter rates although their owners would be exposed to the risk of declining charter rates, which may have a materially adverse impact on financial performance. As we employ vessels on period charters, future spot charter rates may be higher or lower than the rates at which we have employed our vessels on period charters. Our time charter agreements subject us to counterparty risk. In depressed market conditions, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts. Should a counterparty fail to honor their obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Since 2010, our revenues have decreased due to the decrease in the charter rates. In 2014, although charter rates continued to decline, revenue increased due to the enlargement of our fleet. For 2017, we expect our revenues to remain at current levels, or increase compared to the very low time charter rate levels witnessed in 2016.

Voyage Expenses

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

We currently pay commissions ranging from 4.75% to 5.00% of the total daily charter hire rate of each charter to unaffiliated ship brokers, in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition we pay a commission to DWM and to DSS for those vessels for which they provide commercial management services. The commissions paid to DSS are eliminated from our consolidated financial statements as intercompany transactions. For 2017, we expect our voyage expenses to remain at the same levels as 2016, or increase if revenues and therefore commissions increase, or decrease if bunker prices increase compared to 2016.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, environmental plan costs and other operating expenses. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet with the exception of 2016 when operating expenses decreased despite the enlargement of our fleet, as a result of our efforts to decrease costs without compromising the quality and seaworthiness of our vessels. For 2017, we expect our operating expenses to remain at the same levels as in 2016 or decrease despite the enlargement of our fleet as a result of our continued effort to reduce expenses due to the depressed market conditions.

Vessel Depreciation

The cost of our vessels is depreciated on a straight-line basis over the estimated useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated salvage value. We estimate the useful life of our dry bulk vessels to be 25 years from the date of initial delivery from the shipyard, which we believe is common in the dry bulk shipping industry. Furthermore, we estimate the salvage values of our vessels based on historical average prices of the cost of the light-weight ton of vessels being scrapped. The salvage value of all of our vessels is $250 per lightweight ton. Our depreciation charges have increased in recent periods due to the enlargement of our fleet. For 2017, we expect depreciation expense to increase as a result of the enlargement of our fleet.

General and Administrative Expenses

We incur general and administrative expenses which include our onshore related expenses such as payroll expenses of employees, executive officers, directors and consultants, compensation cost of restricted stock awarded to senior management and non-executive directors, traveling, promotional and other expenses of the public company, such as legal and professional expenses and other general expenses. For 2017, we expect our general and administrative expenses to remain at current levels.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with vessel-specific debt and since May 2015 in connection with our Notes. As at December 31, 2016 our debt amounted to $602.7 million, including our Notes issued in May 2015 at a fixed rate of 8.5%, and we have incurred additional debt in 2017. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. For 2017, we expect interest and finance expenses to increase as a result of increased indebtedness and increased interest rates.

Lack of Historical Operating Data for Vessels before Their Acquisition

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

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

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

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

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

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

Our business is mainly comprised of the following elements:

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

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

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

accounting;

vessel insurance arrangement;

vessel chartering;

vessel security training and security response plans (ISPS);

obtaining of ISM certification and audit for each vessel within the six months of taking over a vessel;

vessel hiring management;

vessel surveying; and

vessel performance monitoring.

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

management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts;

management of our accounting system and records and financial reporting;

administration of the legal and regulatory requirements affecting our business and assets; and

management of the relationships with our service providers and customers.

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

rates and periods of charter hire;

levels of vessel operating expenses;

depreciation expenses;

financing costs; and

fluctuations in foreign exchange rates.

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

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

Based on: (i) the carrying value of each of our vessels as of December 31, 2016 and 2015, consisting of the net book value of the vessels and the unamortized value of deferred dry-dock and special surveys cost and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2016 and 2015, the aggregate carrying value of 43 and 42 of the vessels in our fleet as of December 31, 2016 and 2015, respectively, exceeded their aggregate charter-free market value by approximately $728 million and $762 million, respectively, as noted in the table below. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to increase our loss or reduce our net income if we sold all of such vessels at December 31, 2016 and 2015, on a charter-free basis, on industry standard terms, in cash transactions, and to a willing buyer where we were not under any compulsion to sell, and where the buyer was not under any compulsion to buy. For purposes of this calculation, we have assumed that these 43 and 42 vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2016 and 2015, respectively. As of December 31, 2016 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 value of our vessels has declined and may further decline, which could limit the amount of funds that we can borrow and has triggered breaches of the security coverage ratio in one loan facility and could in the future trigger breaches of certain financial covenants and the security cover ratio contained in our current and future loan facilities and we may incur a loss if we sell vessels following a decline in their market values", "A decrease in the market values of our vessels could cause us to breach covenants in our loan facilities and adversely affect our operating results" and the discussion herein under the heading "Item 4.B. Business overview – Vessel Prices".*

Vessel	Dwt	Year Built	Carrying Value (in millions of US dollars)	
			2016	**2015**
1Alcmene	93,193	2010	31.6*	33.3*
2Alcyon	75,247	2001	9.1*	9.9*
3Aliki	180,235	2005	65.5*	70.3*
4Amphitrite	98,697	2012	21.3*	22.2*
5Arethusa	73,593	2007	23.1*	24.5*
6Artemis	76,942	2006	17.3*	18.4*
7Atalandi	77,529	2014	28.4*	29.5*
8Baltimore	177,243	2005	23.2*	24.8*
9Boston	177,828	2007	71.8*	76.0*
10Calipso	73,691	2005	12.4*	13.3*
11Clio	73,691	2005	12.6*	13.3*
12Coronis	74,381	2006	25.0*	26.6*
13Crystalia	77,525	2014	28.0*	29.1*
14Danae	75,106	2001	10.6*	11.6*
15Dione	75,172	2001	10.5*	11.0*
16Erato	74,444	2004	22.0*	23.7*
17G. P. Zafirakis	179,492	2014	53.4*	55.5*
18Houston	177,729	2009	46.3*	48.8*
19Ismene	77,901	2013	13.7	
20Leto	81,297	2010	26.1*	27.5*
21Los Angeles	206,104	2012	49.5*	51.6*
22Maera	75,403	2013	13.3	
23Maia	82,193	2009	17.4*	18.4*
24Medusa	82,194	2010	17.0*	17.7*
25Melia	76,225	2005	16.1*	17.3*
26Melite	76,436	2004	23.6*	25.4*
27Myrsini	82,117	2010	20.0*	21.1*
28Myrto	82,131	2013	23.0*	23.9*
29Naias	73,546	2006	24.4*	25.6*
30New Orleans	180,960	2015	41.7*	43.1*
31New York	177,773	2010	47.4*	49.8*
32Nirefs	75,311	2001	9.1*	9.9*
33Norfolk	164,218	2002	76.2*	83.1*
34Oceanis	75,211	2001	9.7*	9.9*
38P. S. Palios	179,134	2013	46.3*	48.2*
35Philadelphia	206,040	2012	50.3*	52.4*
36Polymnia	98,704	2012	21.2*	22.1*
37Protefs	73,630	2004	12.0*	12.9*
39Salt Lake City	171,810	2005	101.9*	109.1*
40Santa Barbara	179,426	2015	46.8*	48.5*
41Seattle	179,362	2011	27.8*	29.0
42Selina	75,700	2010	11.5	
43Semirio	174,261	2007	62.5*	66.2*
44Sideris GS	174,186	2006	56.9*	59.6*
45Thetis	73,583	2004	21.8*	23.5*
46Triton	75,336	2001	9.3*	10.1*
Total	**5,241,930**		**1,408.6**	**1,447.7**

*****Indicates dry bulk vessels for which we believe, as of December 31, 2016 and 2015, 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 $728 million and $762 million, respectively.

Critical Accounting Policies

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

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

Accounts Receivable, Trade

Accounts receivable, trade, at each balance sheet date, include receivables from charterers for hire, ballast bonus billings, if any, hold cleanings and extra voyage insurance, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.

Accounting for Revenues and Expenses

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

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

Vessel Depreciation

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

Deferred Drydock Cost

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

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, we record such an investment at cost and adjust the carrying amount for our share of the earnings or losses of the entity subsequent to the date of investment and report the recognized earnings or losses in income. Dividends received reduce the carrying amount of the investment. When our share of losses in an entity accounted for by the equity method equals or exceeds our interest in the entity, we do not recognize further losses, unless we have made advances, incurred obligations and made payments on behalf of the entity. Equity method investments are evaluated to determine if a loss in value that is other than temporary should be recognized. Evidence of a loss in value might include absence of an ability to recover the carrying amount of the investment, inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment, or other investors ceasing to provide support or reduce their financial commitment to the investee. On September 30, 2016, we wrote down the value of our investment in Diana Containerships to its fair value based on the market value of Diana Containerships' share price on Nasdaq on that day resulting in an impairment of $17.6 million.

Loan Receivable from Related Parties

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

Impairment of Long-lived Assets

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

With respect to the vessels, the current conditions in the dry bulk market with decreased charter rates and decreased vessel market values are conditions that the Company considers indicators of a potential impairment. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying value. The projected net operating cash flows are determined by considering the historical and estimated vessels' performance and utilization, assuming (i) future revenues calculated for the fixed days, using the fixed charter rate of each vessel from existing time charters and for the unfixed days, the most recent 10 year average historical one-year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of brokerage commissions; (ii) expected outflows for scheduled vessels' maintenance; (iii) vessel operating expenses increasing annually by an annual inflation rate of 3%; (iv) effective fleet utilization of 98% taking into account the period each vessel is expected to remain off hire for scheduled maintenance (dry docking and special surveys) and 1% off hire days (other than for dry docking and special surveys) each year. Historical ten-year blended average one-year time charter rates used in our impairment test exercise are in line with our overall chartering strategy, especially in periods/years of depressed charter rates; they reflect the full operating history of vessels of the same type and particulars with our operating fleet (Panamax/Post-Panamax/Kamsarmax and Capesize/Newcastlemax vessels) and they cover at least a full business cycle. The average annual inflation rate applied on vessels' maintenance and operating costs approximates current projections for global inflation rate for the remaining useful life of our vessels. Effective fleet utilization assumed is in line with the Company's historical performance and our expectations for future fleet utilization under our current fleet deployment strategy.

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

	Average estimated daily time charter equivalent rate used	Average break even rate
Panamax/Kamsarmax/Post-Panamax	$ 21,091	$ 10,405
Capesize/Newcastlemax	$ 37,024	$ 16,870

Our impairment test exercise is sensitive to variances in the time charter rates and fleet effective utilization. Our current analysis, which also involved a sensitivity analysis by assigning possible alternative values to these two significant inputs, indicated a reduction of approximately 24% in the time charter rates or 19% of off hire days (other than for dry docking and special surveys) to result to an impairment of individual long lived assets. However, there can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

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

	1-year (period)	Impairment charge (in USD million)	3-year (period)	Impairment charge (in USD million)	5-year (period)	Impairment charge (in USD million)
Panamax/Kamsarmax/Post-Panamax	$ 6,263	221	$ 8,594	221	$ 9,118	217
Capesize/Newcastlemax	$ 7,342	507	$ 13,056	485	$ 13,723	485

Results of Operations

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

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

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

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

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

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

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

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

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

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

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

Year ended December 31, 2015 compared to the year ended December 31, 2014

Time Charter Revenues. Time charter revenues decreased by $17.9 million, or 10%, to $157.7 million in 2015, compared to $175.6 million in 2014. The decrease was due to decreased time charter rates which resulted in a 19% decrease of our average charter rates from $12,081 in 2014 to $9,739 in 2015 and was also due to increased drydock days during the year for which our vessels did not earn revenue as they were not available for charter. This decrease was partly offset by increased revenues due to an 8% increase of our ownership days resulting from the delivery of the *Crystalia*, in February 2014; the *Atalandi*, in May 2014; the *G. P. Zafirakis* in August 2014; the *Santa Barbara* in January 2015; the *Medusa* in June 2015; and the *New Orleans* and the *Seattle* in November 2015. In 2015 we had total operating days of 14,492 and fleet utilization of 99.3%, compared to 13,564 total operating days and a fleet utilization of 99.4% in 2014.

Voyage Expenses. Voyage expenses increased by $4.8 million, or 45%, to $15.5 million in 2015 compared to $10.7 million in 2014. This increase in voyage expenses is primarily attributable to the increase in loss from bunkers which amounted to $7.5 million in 2015, compared to a loss of $2.0 million in 2014. This was the result of the different prices of the bunkers purchased at redelivery and sold to the new charterers for those vessels that entered into new charters during the year. This increase was partly offset by decreased commissions due to the decrease in revenues.

Vessel Operating Expenses. Vessel operating expenses increased by $1.4 million, or 2%, to $88.3 million in 2015 compared to $86.9 million in 2014. The increase in operating expenses is primarily attributable to the 8% increase in ownership days resulting from the delivery of the new vessels to our fleet in 2015. The increase was also due to increased repairs and maintenance, other operating expenses and environmental expenses and was partly offset by decreases in crew costs, insurances, stores and spares and taxes. Daily operating expenses were $5,924 in 2015 compared to $6,289 in 2014, representing a 6% decrease.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by $5.8 million, or 8%, to $76.3 million in 2015, compared to $70.5 million 2014. This increase was due to the enlargement of our fleet. Additionally, the increase in depreciation and amortization was due to increased amortization of deferred drydocking costs, mainly due to additional vessels which went under drydock surveys compared to 2014.

General and Administrative Expenses. General and Administrative Expenses decreased by $0.9 million, or 3%, to $25.3 million in 2015 compared to $26.2 million in 2014. The decrease is mainly attributable to decreased salaries and the exchange rate between the U.S. dollar and the Euro and was partly offset by increased board of directors fees, legal and other professional fees.

Management fees to related party. Management fees to a related party amounted to $0.4 million and represent management fees paid to DWM for the technical management of six vessels of our fleet gradually transferred to DWM from DSS during the year.

Interest and Finance Costs. Interest and finance costs increased by $7.2 million, or 86%, to $15.6 million in 2015 compared to $8.4 million in 2014. The increase is primarily attributable to higher average interest rates, especially after the issuance of our Notes in May 2015 at a fixed rate of 8.5% and on increased average long term debt outstanding during 2015 compared to 2014. Interest expense in 2015 amounted to $13.9 million compared to $7.8 million 2014.

Interest and Other Income. Interest and other income decreased by $0.4 million, or 11%, to $3.2 million in 2015 compared to $3.6 million in 2014. The decrease is attributable to decreased interest income which derived from our loan agreement with Diana Containerships, dated May 20, 2013, and as amended on July 28, 2014, September 9, 2015 and December 3, 2015, as since September 9, 2015, the outstanding balance of the loan is being reduced by an amount of $5.0 million per annum, the margin was reduced to 3% from 5% and the accrued, up to the date of the amendment, back end fee was paid in full and seized from being accrued.

Gain / (loss) from Equity Method Investments. Loss from our investment in Diana Containerships amounted to $5.0 million in 2015 and was due to loss incurred by Diana Containerships and our dilution from the decrease in our share ownership from 26.34% as at December 31, 2014 to 26.08% as at December 31, 2015. This compared to a gain of $12.7 million in 2014. Additionally, loss from equity method investments included $0.2 million loss from DWM, our 50% owned joint venture established in 2015 that as of December 31, 2015 provided management services to six vessels of our fleet.

Inflation

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

B. Liquidity and Capital Resources

We have historically financed our capital requirements with cash flow from operations, equity contributions from shareholders, long-term bank debt and since May 2015 with our Notes. Our main uses of funds have been capital expenditures for the acquisition and construction of new vessels, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards and repayments of bank loans. We will require capital to fund ongoing operations, vessel improvements to meet requirements under new regulations, debt service and the payment of our preferred dividends. As at December 31, 2016 and 2015, working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to $37.1 million and $134.6 million, respectively. The significant decrease in working capital was due to the significant decline in the charter rates that we achieved for our vessels during 2016, resulting in operating losses. For 2017, we believe that anticipated improved charter rates compared to 2016 will result in internally generated cash flows along with cash on hand which will be sufficient to fund our capital requirements. However, we may also incur additional debt or issue additional equity, if deemed necessary to fund our capital requirements in the next twelve months.

Cash Flow

Cash and cash equivalents, including compensating cash balance, was $121.1 million as at December 31, 2016 and $193.2 million as at December 31, 2015. Compensating cash balance is the amount kept against the Company's loan facilities which in 2016 was reclassified to non-current assets as it was considered material and as such the respective cash and cash equivalents balance of the comparative years was similarly adjusted to reflect this change. As at December 31, 2016 and 2015, compensating cash balance amounted to $23.0 million and $21.5 million, respectively. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided By/(Used In) Operating Activities

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

Net cash provided by operating activities decreased by $21.0 million, or 47%, to $23.9 million in 2015 compared to $44.9 million in 2014. The decrease was mainly attributable to the decrease in charter rates during the year, the increase in drydock and off-hire days during which our vessels could not earn revenue and the increase in expenses due to the enlargement of the fleet.

Net Cash Used In Investing Activities

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

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

Net cash used in investing activities was $152.5 million for 2014, which consists of $111.7 million paid for predelivery installments for our three vessels under construction and the *Crystalia* and *Atalandi*, which were delivered in 2014, the acquisition of the *G. P. Zafirakis* during the year, and the advance for the acquisition of the *Santa Barbara*, delivered in January 2015; $40.0 million for the acquisition of additional interest in Diana Containerships in a private offering; $0.8 million of dividends received from Diana Containerships during the year; and $1.6 million relating to the acquisition of property and equipment.

Net Cash Provided By / (Used In) Financing Activities

Net cash used in financing activities was $11.0 million for 2016, which consists of $39.3 million of proceeds drawn under new loan facilities; $42.5 million of indebtedness that we repaid; $0.5 million of financing costs we paid relating to our new loan agreements; $5.8 million of dividends paid on our Series B Preferred Shares; and $1.5 million of additional compensating cash balance.

Net cash provided by financing activities was $104.0 million for 2015, which consists of $441.2 million of proceeds drawn under new loan facilities and our Notes; $321.2 million of indebtedness that we repaid; $5.5 million of financing costs we paid relating to our new loan agreements and our Notes; $5.8 million of dividends paid on our Series B Preferred Shares; $2.7 million of payments to repurchase common stock; and $2.0 million of additional compensating cash balance.

Net cash provided by financing activities was $84.4 million for 2014, which consists of $101.5 million of proceeds drawn under new loan facilities; $48.6 million of indebtedness that we repaid; $0.5 million of financing costs we paid relating to our new loan agreements; $62.7 million of proceeds from issuance of preferred stock, net of expenses; $3.9 million of dividends paid on our Series B Preferred Shares; $25.3 million of payments to repurchase common stock; and $1.5 million of additional compensating cash balance.

Loan Facilities and Senior Unsecured Notes

As at December 31, 2016, we had $602.7 million of long term debt outstanding under our facilities and Notes, which as of the date of this annual report increased to $654.8 million, and consists of the agreements described below.

Revolving credit facility

In February 2005, we entered into a $230.0 million secured revolving credit facility with the Royal Bank of Scotland, which was amended on May 24, 2006, to increase the facility amount to $300.0 million. The $300.0 million revolving credit facility was available in full until May 24, 2012. Since that date the available amount was reduced in semi-annual amounts of $15.0 million with a final reduction of $165.0 million together with the last semi-annual reduction on May 24, 2016. The credit facility bore interest ranging from 0.75% to 0.85% per annum over LIBOR. On July 24, 2015, the outstanding balance of the revolving credit facility amounting to $195.0 million was voluntarily prepaid in full and the related agreement was then terminated.

Secured Term Loans:

On October 8, 2009, our wholly-owned subsidiary Bikini Shipping Company Inc. ("Bikini") entered into a $40.0 million loan agreement with Deutsche Bank to partly finance the acquisition cost of the *New York*. The loan was repaid in full on March 10, 2015.

On October 22, 2009, our wholly-owned subsidiary Gala Properties Inc. entered into a $40.0 million loan agreement with Bremer Landesbank ("Bremer") to partly finance the acquisition cost of the *Houston*. The loan is repayable in 40 quarterly installments of $0.9 million plus one balloon installment of $4.0 million to be paid together with the last installment on November 19, 2019. The loan bears interest at LIBOR plus a margin of 2.15% per annum.

On October 2, 2010, our wholly-owned subsidiaries Lae Shipping Company Inc. ("Lae") and Namu Shipping Company Inc., ("Namu") entered into a loan agreement with Export-Import Bank of China ("CEXIM Bank") and DnB NOR Bank ASA ("DnB") to finance part of the construction cost of the *Los Angeles*, and the *Philadelphia*, for an amount of up to $82.6 million, of which $72.1 million was drawn, being 70% of the vessels' market value on delivery. The Lae advance is repayable in 40 quarterly installments of approximately $0.6 million and a balloon of $12.3 million payable together with the last installment on February 15, 2022. The Namu advance is repayable in 40 quarterly installments of approximately $0.6 million and a balloon of $11.4 million payable together with the last installment on May 18, 2022. Each of CEXIM Bank and DnB has the right to demand prepayment of the outstanding balance of any advance in the first half of 2018, subject to a written notification to be made latest by May 2017. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

On September 13, 2011, our wholly-owned subsidiary Bikar Shipping Company Inc. ("Bikar") entered into a loan agreement with Emporiki Bank of Greece S.A. ("Emporiki") for a loan of up to $15.0 million to refinance part of the acquisition cost of the *Arethusa*. On December 13, 2012, Bikar, the Company, DSS and Credit Agricole Corporate and Investment Bank ("Credit Agricole") entered into a supplemental loan agreement to transfer the outstanding loan balance, the ISDA master swap agreement and the existing security documents from Emporiki to Credit Agricole. The loan is repayable in 20 equal semiannual installments of $0.5 million each and a balloon payment of $5.0 million to be paid together with the last installment on September 15, 2021. The loan bears interest at LIBOR plus a margin of 2.5% per annum, or 1% for such loan amount that is equivalently secured by cash pledge in favor of the bank.

On February 7, 2012, our wholly-owned subsidiary Jemo Shipping Company Inc. ("Jemo") entered into an agreement with Nordea Bank Finland Plc, which in December 2014 was replaced by Nordea Bank AB, London Branch, or Nordea, for a loan facility of $16.1 million drawn down in February 2012, to partly finance the acquisition cost of the *Leto*. On June 21, 2012, the agreement between Jemo and Nordea Bank Finland Plc, was restated and amended by a supplemental agreement in order to include Mandaringina Inc. as a new borrower and increase the loan amount to up to $26.5 million for the purpose of financing part of the acquisition cost of the *Melia*. On March 19, 2015, we prepaid in full all outstanding indebtedness under the loan facility, which was refinanced with a new agreement mentioned below.

On December 20, 2012, our wholly-owned subsidiaries Palau Shipping Company Inc. ("Palau") and Guam Shipping Company Inc. ("Guam") entered into a loan agreement with Nordea Bank Finland Plc, replaced in December 2014 by Nordea, for an amount of $20.0 million, drawn down on December 21, 2012, to finance part of the acquisition cost of the *Amphitrite* and the *Polymnia*. On March 19, 2015, we prepaid in full all outstanding indebtedness under the loan facility, which was refinanced with a new agreement mentioned below.

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

On June 18, 2013, our wholly-owned subsidiaries Tuvalu Shipping Company Inc. ("Tuvalu"), and Jabat Shipping Company Inc. ("Jabat") entered into a loan agreement with Deutsche Bank for a loan facility of up to $18.0 million to finance part of the acquisition cost of the *Maia* and the *Myrto* which were cross-collateralized with the *New York*. The loan was prepaid in full on March 20, 2015.

On January 9, 2014, our wholly-owned subsidiaries Taka Shipping Company Inc. ("Taka") and Fayo Shipping Company Inc. ("Fayo") entered into a loan agreement with Commonwealth Bank of Australia, London Branch ("CBA"), for a loan facility of up to $18.0 million to finance part of the acquisition cost of the *Melite* and *Artemis*. The loan bears interest at LIBOR plus a margin of 2.25%. The loan was drawn in two tranches, one of $8.5 million assigned to *Melite* and one of $9.5 million assigned to *Artemis*. Tranche A is repayable in 24 equal consecutive quarterly installments of $195,833 each; and a balloon of $3.8 million payable January 13, 2020. Tranche B is repayable in 32 equal consecutive quarterly installments of $156,250 each and a balloon of $4.5 million payable on January 13, 2022.

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

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

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

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

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

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

On January 7, 2016, three of our wholly-owned subsidiaries entered into a secured loan agreement with the CEXIM Bank for a loan of up to $75.7 million in order to finance part of the construction cost of the vessels. On January 4, 2017, we drew down $57.24 million to finance part of the construction cost of Hull H2548, named *San Francisco*, and Hull H2549, named *Newport News*, both delivered on January 4, 2017. The balance of the committed loan amount, including the tranche for Hull DY6006 whose shipbuilding contract was cancelled on October 31, 2016, was cancelled. On February 6, 2017, we also entered into a Deed of Release with the CEXIM Bank in order to release the owner of Hull DY6006 of all of its obligations under the loan agreement as borrower. The loan is payable in 60 equal quarterly installments of $954,000 each, the last of which is payable by March 12, 2032, and bears interest at LIBOR plus a margin of 2.3%.

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

On May 10, 2016, one of our wholly-owned subsidiaries entered into a term loan agreement with DNB Bank ASA and the CEXIM Bank for a loan of $13.51 million, drawn on the same date, being the purchase price of the *Maera*. The loan is payable in seven equal consecutive quarterly installments of $19,775 each, four equal consecutive quarterly installments of $282,500 each and a balloon of about $12.2 million payable together with the last installment on January 4, 2019. The loan bears interest at LIBOR plus a margin of 3% per annum.

Under the secured term loans outstanding as of December 31, 2016, 45 vessels of the Company's fleet were mortgaged with first preferred or priority ship mortgages. Additional securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts with duration that exceeds a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by Diana Shipping Inc. (the "Guarantor") or a guarantee by the ship owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the guarantor, maintained in the bank accounts of the borrowers, or the guarantor. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends from the earnings of the vessel following the occurrence of an event of default.

On August 26, 2016, we announced that we had engaged a financial advisor and had entered into negotiations with certain of our lenders to amend our outstanding loan facilities. In connection with these negotiations, we reached an agreement in principle with certain lenders, including our largest lender, for terms that included, among other provisions, the deferral of amortization payments and amending financial covenants. This agreement in principle was subject to us reaching similar deferral and covenant terms with our other lenders. On November 17, 2016, we announced that we had concluded, without agreement, these discussions with our lenders and had terminated our financial advisor engagement. We do not currently anticipate resuming such discussions with our lenders.

On November 30, 2016, we received a letter from BNP Paribas advising us that we were not in compliance with the loan to value covenant contained in the $165.0 million loan agreement, creating a shortfall of $39.6 million. Similarly, as at December 31, 2016, we were not in compliance with the same minimum security cover requirement. We estimated the shortfall to be $25.7 million and as such an amount of $19.7 million, representing the amount which would have to be paid to the bank, was reclassified as current in the consolidated balance sheet as at December 31, 2016. In addition, we received a waiver from the Commonwealth Bank, valid until December 31, 2016, for the non-compliance with the minimum required security cover, which was amended to a lower level than the one stated in the loan agreement. On January 13, 2017, the bank extended its consent for the use of the lower minimum required security cover until June 30, 2017.

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

Senior Notes due 2020

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

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

As of December 31, 2016, 2015 and 2014 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Capital Expenditures

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

C. Research and development, patents and licenses

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

D. Trend information

Our results of operations depend primarily on the charter hire rates that we are able to realize, and the demand for dry bulk vessel services. The Baltic Dry Index, or the BDI, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then. In 2014, the BDI ranged from a high of 2,113 in January to a low of 723 in July. In 2015, the BDI ranged from a high of 1,222 in August to a low of 471 in December. In 2016, the BDI ranged from a record low of 290 in February to a high of 1,257 in November. On February 15, 2017, the BDI was 688.

The decline and volatility in charter rates in the dry bulk market reflects in part the fact that the supply of dry bulk vessels in the market has been increasing, and the number of newbuilding dry bulk vessels on order is high. Demand for dry bulk vessel services is influenced by global financial conditions. The recovery in China and India positively influenced the charter rates; however, global financial conditions remain volatile and demand for dry bulk services may decrease in the future. The combination of increasing dry bulk capacity (both current and expected) and decreasing demand or demand which is not offset by the increase in dry bulk capacity may result in reductions in charter hire rates and, as a consequence, adversely affect our operating results.

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

E. Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations, in thousands of U.S. dollars, and their maturity dates as of December 31, 2016:

	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 and Notes (1)	$ 602,717	$ 66,470	$ 175,336	$ 292,259	$ 68,652
Estimated Interest Payments on Loan Agreements and Notes (1)	67,409	20,726	34,529	11,575	579
Construction contracts (2)	52,440	52,440	-	-	-
Broker services agreement (3)	450	450	-	-	-
Preferred dividends (4)	13,461	5,769	7,692	-	-
Total	$ 736,477	$ 145,855	$ 217,557	$ 303,834	$ 69,231

(1) As of December 31, 2016, we had an aggregate principal amount of $602.7 million of indebtedness outstanding under our loan facilities and our Notes. On November 30, 2016, we received a letter from BNP Paribas advising us that we were not in compliance with the loan to value covenant contained in the $165.0 million loan agreement, creating a shortfall of $39.6 million. Similarly, as at December 31, 2016, we were not in compliance with the same minimum security cover requirement. We estimated the shortfall to be $25.7 million and as such an amount of $19.7 million, representing the amount which would have to be paid to the bank, was reclassified to current portion of long term debt. Estimated interest payments represent projected interest payments on our long term debt, which are based on the weighted average LIBOR rate in 2016 plus the margin of our loan agreements in 2016 and the fixed interest rate of our Notes.

(2) On January 4, 2017, we took delivery of Hull H2548, named *San Francisco*, and Hull H2549, named *Newport News*, and we paid the balance of the contract price. On the same date, we also drew down a loan of $57.24 million under our loan agreement with CEXIM Bank, to finance part of the construction cost of the vessels.

(3) Our agreement with Diana Enterprises dated April 1, 2016, expires on March 31, 2017.

(4) On February 24, 2014 we completed an offering of 2,600,000 shares of Series B Perpetual Preferred Stock, at the price of $25.0 per share, and dividends are payable at a rate equal to 8.875% per annum. At any time on or after February 14, 2019, the Series B Preferred Shares may be redeemed, in whole or in part, at a redemption price of $25.00 per share, plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. The table above presents our obligations for dividend payments until February 14, 2019. The table above does not include the payment for the redemption, which is at our option.

G. Safe Harbor

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

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers. Effective March 4, 2015, our Board of Directors increased its size from seven to nine members and Mr. Kyriacos Riris and Mrs. Semiramis Paliou were appointed to fill the resulting vacancies. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three-year term. 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	75	Class I Director, Chief Executive Officer and Chairman
Anastasios Margaronis	61	Class I Director and President
Ioannis Zafirakis	45	Class I Director, Chief Operating Officer and Secretary
Andreas Michalopoulos	45	Chief Financial Officer and Treasurer
Maria Dede	44	Chief Accounting Officer
William (Bill) Lawes	73	Class II Director
Konstantinos Psaltis	78	Class II Director
Kyriacos Riris	67	Class II Director
Boris Nachamkin	83	Class III Director
Apostolos Kontoyannis	68	Class III Director
Semiramis Paliou	42	Class III Director

The term of our Class III directors expires in 2017, the term of our Class I directors expires in 2018, and the term of our Class II directors expires in 2019.

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

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

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

Anastasios C. Margaronis has served as our President and as a Director since February 21, 2005 and has served as the Director and President of Diana Containerships Inc. since January 13, 2010. Mr. Margaronis also serves as a Deputy-President of Diana Shipping Services S.A. Prior to February 21, 2005, Mr. Margaronis was employed by Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as President. He joined Diana Shipping Agencies S.A. in 1979 and has been responsible for overseeing our insurance matters, including hull and machinery, protection and indemnity and war risks cover. Mr. Margaronis has experience in the shipping industry, including in ship finance and insurance, since 1980. He is a member of the Greek National Committee of the American Bureau of Shipping and a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. He holds a bachelor's degree in Economics from the University of Warwick and a master's of science degree in Maritime Law from the Wales Institute of Science and Technology.

Ioannis G. Zafirakis serves as our Director, Chief Operating Officer and Secretary. He also serves as Director, Chief Operating Officer and Secretary of Diana Containerships Inc. In addition, he is the Chief Operating Officer of Diana Shipping Services S.A., where he also serves as Director and Treasurer. From June 1997 to February 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A. where he held a number of positions in its finance and accounting department. Mr. Zafirakis is also a member of the Business Advisory Committee of the MSc in International Shipping and Finance at ICMA Centre, Henley Business School, University of Reading. He holds a bachelor's degree in Business Studies from City University Business School in London and a master's degree in International Transport from the University of Wales in Cardiff.

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

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

William (Bill) Lawes has served as a Director and the Chairman of our Audit Committee since March 2005. Mr. Lawes served as a Managing Director and a member of the Regional Senior Management Board of JPMorgan Chase and its predecessor banks from 1987 until 2002. Prior to joining JPMorgan Chase, he was Global Head of Shipping Finance at Grindlays Bank. Since December 2007, he has served as an independent member of the Board of Directors and Chairman of the Audit Committee of Teekay Tankers Ltd. In January 2014, Mr. Lawes also joined the board as Chairman of the Audit Committee of Tanker Investments Ltd. Mr. Lawes is qualified as a member of the Institute of Chartered Accountants of Scotland.

Konstantinos Psaltis has served as a Director since March 2005. From 1981 to 2006, Mr. Psaltis served as Managing Director of Ormos Compania Naviera S.A., a company that specializes in operating and managing multipurpose container vessels and from 2006 until today as a President of the same company. Prior to joining Ormos Compania Naviera S.A., Mr. Psaltis simultaneously served as a technical manager in the textile manufacturing industry and as a shareholder of shipping companies managed by M.J. Lemos. From 1961 to 1964, he served as ensign in the Royal Hellenic Navy. 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.

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

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

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

B. Compensation

Aggregate executive compensation (including amounts paid to Diana Enterprises pursuant to the Brokerage Services Agreements) for 2016 was $3.2 million. Since June 1, 2010, Diana Enterprises, a related party, as described in "Item 7B. Related Party Transactions" has provided to us brokerage services. Under the Brokerage Services Agreements in effect during 2016, fees for 2016 amounted to $1.7 million. We consider fees under these agreements to be part of our executive compensation due to the affiliation with Diana Enterprises. We expect such fees to remain the same in 2017.

Non-employee directors receive annual compensation in the amount of $52,000 plus reimbursement of out-of-pocket expenses. In addition, each non-executive serving as chairman or member of a committee receives annual compensation of $26,000 and $13,000, respectively, plus reimbursement of out-of-pocket expenses. For 2016, 2015 and 2014 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 8,565,241 shares of restricted common stock, of which 8,201,157 shares were awarded to senior management and 1,674,084 shares were awarded to non-employee directors. All restricted shares vest ratably over three years, except for 600,000 shares awarded in 2008 which vested ratably over a period of six years until 2014 and 1,314,000 shares awarded in 2014 which will vest ratably over a period of six years until 2022. The restricted shares are subject to forfeiture until they become vested. Unless they forfeit their shares, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares.

In 2016, compensation costs relating to the aggregate amount of restricted stock awards amounted to $8.3 million.

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

Equity Incentive Plan

In November 2014, our board of directors approved, and the Company adopted the 2014 Equity Incentive Plan (the "2014 Plan"), for 5,000,000 common shares, of which, currently, 2,924,759 shares remain reserved for issuance.

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

C. Board Practices

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

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

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

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

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

D. Crewing and Shore Employees

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

The following table presents the number of shoreside personnel employed by DSS and the number of seafaring personnel employed by our vessel-owning subsidiaries as at December 31, 2016, 2015 and 2014.

	Year Ended December 31,		
	2016	**2015**	**2014**
Shoreside	95	101	94
Seafaring	923	993	973
Total	1,018	1,094	1,067

E. Share Ownership

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding ownership of our common stock of which we are aware as of February 17, 2017, for (i) beneficial owners of five percent or more of our common stock and (ii) our officers and directors, individually and as a group. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held.

Title of Class	Identity of Person or Group	Number of Shares Owned	Percent of Class
Common Stock, par value $0.01	Simeon Palios (1)	19,524,163	22.7%
	12 West Capital Management LP (2)	4,429,989	5.2%
	Kopernik Global Investors, LLC (3)	5,624,361	6.5%
	Franklin Resources Inc. (4)	13,370,940	15.5%
	All officers and directors as a group (5)	22,749,215	26.5%

(1) Mr. Simeon Palios indirectly may be deemed to beneficially own 9,524,360 shares beneficially owned by Ironwood Trading Corp. and 9,999,803 shares beneficially owned by Diana Enterprises Inc., including 4,762,180 shares beneficially owned through Corozal Compania Naviera, as the result of his ability to control the vote and disposition of such entities, for an aggregate of 19,524,163 shares. As of December 31, 2014, 2015 and 2016, Mr. Simeon Palios owned indirectly 19.3%, 20.6% and 22.2%, respectively, of our outstanding common stock.

(2) This information is derived from a Schedule 13G/A filed with the SEC on February 14, 2017.

(3) This information is derived from a Schedule 13G filed with the SEC on February 3, 2017.

(4) This information is derived from a Schedule 13G/A filed with the SEC on February 8, 2017, and represents an increase from the 13.4% ownership reported on a Schedule 13G filed with the SEC on January 8, 2016.

(5) Mr. Simeon Palios is our only director or officer that beneficially owns 5% or more of our outstanding common stock. Mr. Anastasios Margaronis, our President and a member of our board of directors is indirect shareholder through ownership of stock held in Corozal Compania Naviera S.A., and Ironwood Trading Corp. Mr. Margaronis does not have dispositive or voting power with regard to shares held by Corozal Compania S.A. and Ironwood Trading Corp. and, accordingly, is not considered to be beneficial owner of our common shares held through Corozal Compania Naviera S.A. and Ironwood Trading Corp. Mr. Anastasios Margaronis also owns indirectly 2.6% of our outstanding common stock. Messrs. Lawes, Psaltis, Nachamkin and Kontoyannis, each a non-executive director of ours each owns less than 1% of our outstanding common stock. In addition, Diana Enterprises owns indirectly 100,390, or 3.9% of the outstanding Series B Preferred Shares and Mr. Anastasios Margaronis owns indirectly 28,025, or 1.1% of the outstanding Series B Preferred Shares. All officers and directors as a group own 132,775, or 5.1% of our outstanding Series B Preferred Shares.

As of February 15, 2017, we had 141 shareholders of record, 123 of which were located in the United States and held an aggregate of 63,344,117 of our common shares, representing 73.7% of our outstanding common shares. However, one of the U.S. shareholders of record is CEDE & CO., a nominee of The Depository Trust Company, which held 63,325,874.of our common shares as of February 15, 2017. Accordingly, we believe that the shares held by CEDE & CO. include common shares beneficially owned by both holders in the United States and non-U.S. beneficial owners. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

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

B. Related Party Transactions

Diana Enterprises Inc.

Diana Enterprises, an affiliated entity that is controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides to us brokerage services for an annual fee pursuant to a Brokerage Services Agreement. In 2016, brokerage fees amounted to $1.7 million. The terms of this relationship are currently governed by a Brokerage Services Agreement dated April 1, 2016, due to expire on March 31, 2017.

Altair Travel Agency S.A.

Altair Travel Agency S.A., or Altair, an affiliated entity that is controlled by our Chief Executive Officer and Chairman of the Board, Mr. Simeon Palios, provides us with travel related services. Travel related expenses in 2016, amounted to $2.3 million. We believe that the amounts that we pay to Altair Travel Agency S.A. for acquiring tickets and other travel related services are no greater than fees we would pay to an unrelated third party for comparable services.

Diana Containerships, Non-Competition Agreement

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

Diana Containerships, Loan Agreement

On May 20, 2013, we entered into a loan agreement with Eluk Shipping Company Inc., a subsidiary of Diana Containerships, to provide to it an unsecured loan of up to $50.0 million to be used for general corporate purposes and working capital, which was drawn on August 20, 2013. The loan was approved by the Independent Committee of the Board of Directors and the Board of Directors and bore interest at LIBOR plus a margin of 5% per annum and a back-end fee equal to 1.25% per annum on the outstanding amount, receivable on the repayment date of such amount. The loan was amended on July 28, 2014, and further amended on September 9, 2015, pursuant to which the loan maturity was extended to March 15, 2022; interest decreased to at LIBOR plus a margin of 3% per annum; the back-end fee accumulated up to and became payable on the date of the amendment; and the borrowers agreed to pay to the lender a fee of $0.2 million on the maturity date. In addition, the outstanding principal amount of the loan is repaid in amounts totaling $5.0 million per annum, but not to exceed $32.5 million in the aggregate. The unsecured loan is guaranteed by Diana Containerships, and Diana Containerships and its subsidiaries may not incur additional indebtedness during the term of the loan without our prior consent. Also, the loan is subordinated to Diana Containerships' loan with the Royal Bank of Scotland. On August 24, 2016, Diana Shipping Inc.'s Independent Committee of the Board of Directors and the Board of Directors approved another amendment to the loan, pursuant to which the repayment of all outstanding principal amounts are deferred until the later of (i) the repayment or prepayment in full by Diana Containerships of a deferred amount under its loan agreement with The Royal Bank of Scotland plc, whose repayment is scheduled to commence on March 15, 2019 and be completed not later than June 15, 2021, and (ii) September 15, 2018. The amendment also changes the borrower under the loan to another wholly-owned subsidiary of Diana Containerships and provides for an increase of the interest rate for the period between September 12, 2016 (the effective date of the amendment) and December 31, 2018 to 3.35% per annum over LIBOR.

Income from interest and fees for 2016, amounted to $1.7 million and is included in Interest and other income in the respective consolidated statements of operations. As at December 31, 2016 and the date of this report, the loan receivable from Diana Containerships amounted to $45.4 million.

Diana Wilhelmsen Management Limited

Diana Wilhelmsen Management Limited, or DWM, is a 50/50 joint venture which provides management services to seven vessels in our fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues. Management fees for 2016 amounted to $1.5 million, whereas commercial fees amounted to about $0.1 million.

Acquisition of Three Panamax Vessels

On February 4, 2016, we entered into, through three separate wholly-owned subsidiaries, three Memoranda of Agreement to acquire from a related party three Panamax vessels for an aggregate purchase price of $39.8 million, reduced pursuant to addendum agreements dated March 4, 2016 to $39.3 million. Two of the vessels were delivered in March 2016 and the third in May 2016. The Company had agreed to acquire the vessels from entities affiliated with Mrs. Semiramis Paliou and Mrs. Aliki Paliou, each of whom is a family member of the Company's Chief Executive Officer and Chairman of the Board. Mrs. Semiramis Paliou is also a director of the Company. The transaction was approved unanimously by a committee of the Board of Directors established for the purpose of considering the transaction and consisting of the Company's independent directors and each of its executive directors other than Mrs. Semiramis Paliou and Mr. Simeon Palios. The agreed upon purchase price of the vessels was based, among other factors, on independent third party broker valuations obtained by the Company.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial information

A. Consolidated statements and other financial information

See Item 18.

Legal Proceedings

On August 8, 2013, DSS was found guilty on felony counts and on December 5, 2013 was sentenced by the United States District Court in Norfolk, Virginia to a fine of $1.1 million and a period of probation of three years and six months, as a result of a conviction in which DSS was held vicariously liable for the actions of the chief engineer and second assistant engineer of the M/V *Thetis*, who were found guilty by the Court of violating several U.S. statutes and regulations in failing to properly handle waste oils, maintain required records and for obstruction of justice. In addition, the sentence includes a requirement for the duration of the probation period to maintain an enhanced system subject to independent audit for managing waste oils on each vessel managed by DSS. We expect the probation period to end in June 2017.

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

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

Dividend Policy

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

We believe that the suspension of dividend payments has positioned us better in a deteriorating market and 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.

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

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

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

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

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report, other than those described in note 15 "Subsequent events" of our annual consolidated financial statements.

Item 9. The Offer and Listing

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

	2017		2016		2015		2014		2013		2012	
Period	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
Annual			$ 4.47	$ 2.02	$ 8.11	$ 3.58	$ 13.55	$ 6.31	$ 13.64	$ 7.47	$ 9.87	$ 6.31
1st quarter			$ 4.47	$ 2.02	$ 7.24	$ 6.12						
2nd quarter			3.46	2.12	7.75	6.02						
3rd quarter			3.12	2.27	8.11	6.08						
4th quarter			4.11	2.40	7.13	3.58						
August			$ 2.69	$ 2.28								
September			3.02	2.27								
October			2.78	2.49								
November			4.11	2.40								
December			3.41	2.80								
January	$ 4.14	$ 3.30										
February*	4.27	3.79										

* For the period from February 1, 2017 until February 16, 2017.

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

	2017		2016		2015		2014*	
Period	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
Annual			$ 18.52	$ 9.50	$ 25.59	$ 10.80	$ 26.98	$ 22.76
1st quarter			$ 15.15	$ 9.50	$ 25.59	$ 24.08		
2nd quarter			18.52	13.42	25.59	24.60		
3rd quarter			18.33	14.99	25.14	19.69		
4th quarter			17.25	14.53	21.49	10.80		
August			$ 17.34	$ 16.95				
September			17.44	14.99				
October			17.25	14.89				
November			16.90	14.53				
December			16.48	15.40				
January	$ 19.32	$ 17.24						
February**	19.03	18.64						

*Commencing on February 21, 2014
** For the period from February 1, 2017 until February 16, 2017.

In addition, our 8.5% Senior Notes due 2020 have traded on the NYSE since May 29, 2015 under the symbol "DSXN."

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

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

Information regarding the rights, preferences and restrictions attaching to each class of our common shares is described in the section entitled "Description of Capital Stock" in our Registration Statement on Form F-1 filed with the SEC on November 23, 2005 with file number 333-129726, provided that since the date of that Registration Statement, (i) the number of our outstanding shares of common stock has increased to 86,006,017 and (ii) the Stockholder Rights Plan described therein has been replaced by a Stockholders Rights Agreement dated as of January 15, 2016, as described below under "Stockholders Rights Agreement." For additional information about our Series B Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the SEC on February 13, 2014 and incorporated by reference herein.

Stockholders Rights Agreement

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

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

C. Material Contracts

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

D. Exchange Controls

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

E. Taxation

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations of the ownership and disposition by a U.S. Holder and a Non-U.S. Holder, each as defined below, with respect to the common stock. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities or commodities, financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, persons liable for the alternative minimum tax, persons who hold common stock as part of a straddle, hedge, conversion transaction or integrated investment, U.S. Holders whose functional currency is not the United States dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of the Company's common stock, may be subject to special rules. This discussion deals only with holders who hold the common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of common stock.

Marshall Islands Tax Considerations

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

United States Federal Income Taxation

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

Taxation of the Company's Shipping Income

In General

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

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

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

In the year ended December 31, 2016, approximately 3.5% of the Company's shipping income was attributable to the transportation of cargoes either to or from a U.S. port. Accordingly, 1.8% of the Company's shipping income would be treated as derived from U.S. sources for the year ended December 31, 2016. 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 $80,000 for the year ended December 31, 2016.

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 2016 taxable year, the Company believes that it is unlikely that the 50% Ownership Test was satisfied. Therefore, the eligibility of the Company and each subsidiary to qualify for exemption under Section 883 of the Code is wholly dependent upon the Company's ability to satisfy the Publicly Traded Test.

Under the Treasury Regulations, stock of a foreign corporation is considered "primarily traded" on an established securities market in a country if the number of shares of each class of stock that is traded during the taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country. The Company's common stock, which is the sole class of issued and outstanding stock, was "primarily traded" on the NYSE during the 2016 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 2016 taxable year.

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

Based on Schedules 13D and 13G filings, during the 2016 taxable year, less than 50% of the Company's common stock was owned by 5% Shareholders. Therefore, the Company believes that it is not subject to the 5% Override Rule and thus has satisfied the Publicly Traded Test for the 2016 taxable year. However, there can be no assurance that the Company will continue to satisfy the Publicly Traded Test in future taxable years. For example, the Company could be subject to the 5% Override Rule if another 5% Shareholder in combination with the Company's existing 5% Shareholders were to own 50% or more of the Company's common stock. In such a case, the Company would be subject to the 5% Override Rule unless it could establish that, among the shares of the common stock owned by the 5% Shareholders, sufficient shares are owned by qualified shareholders, for purposes of Section 883 of the Code, to preclude non-qualified shareholders from owning 50% or more of the Company's common stock for more than half the number of days during the taxable year. The requirements of establishing this exception to the 5% Override Rule are onerous and there is no assurance the Company will be able to satisfy them.

Based on the foregoing, the Company believes that it satisfied the Publicly Traded Test and therefore believes that it was exempt from U.S. federal income tax under Section 883 of the Code, during the 2016 taxable year, and intends to take this position on its 2016 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 2016 taxable year and in the absence of exemption under Section 883 of the Code, the Company would be subject to approximately $160,520 of U.S. federal income tax under the 4% Gross Basis Tax Regime.

The 4% Gross Basis Tax Regime would not apply to U.S. source Shipping Income to the extent considered to be "effectively connected" with the conduct of a U.S. trade or business. In the absence of exemption under Section 883 of the Code, such "effectively connected" U.S. source Shipping Income, net of applicable deductions, would be subject to U.S. federal income tax currently imposed at corporate rates of up to 35%. In addition, earnings "effectively connected" with the conduct of such U.S. trade or business, as determined after allowance for certain adjustments, and certain interest paid or deemed paid attributable to the conduct of the U.S. trade or business may be subject to U.S. federal branch profits tax imposed at a rate of 30%. The Company's U.S. source Shipping Income would be considered "effectively connected" with the conduct of a U.S. trade or business only if: (1) the Company has, or is considered to have, a fixed place or business in the United States involved in the earning of Shipping Income; and (2) substantially all of the Company's U.S. source Shipping Income is attributable to regularly scheduled transportation, such as the operation of a vessel that followed a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States, or, in the case of income from the chartering of a vessel, is attributable to a fixed place of business in the United States. We do not intend to have, or permit circumstances that would result in having a vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S. source Shipping Income will be effectively connected with the conduct of a U.S. trade or business.

Gain on Sale of Vessels

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

United States Taxation of U.S. Holders

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

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

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

Distributions

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

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

Sale, Exchange or other Disposition of Common Stock

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

PFIC Status and Significant Tax Consequences

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends on Common Stock

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

Sale, Exchange or Other Disposition of Common Stock

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

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

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

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

Backup Withholding and Information Reporting

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

fails to provide an accurate taxpayer identification number;

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

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

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

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

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

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

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website http://www.sec.gov. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330 and you may obtain copies at prescribed rates.

I. Subsidiary information

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

We are exposed to market risks associated with changes in interest rates relating to our loan facilities, according to which we pay interest at LIBOR plus a margin; and as such increases in interest rates could affect our results of operations. An increase of 1% in the interest rates of our loan facilities bearing a variable interest rate during 2016, could have increased our interest cost (including capitalized interest and interest on our Notes) from $21.0 million to $26.6 million.

We will continue to have debt outstanding, which could impact our results of operations and financial condition. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

As of December 31, 2016, 2015 and 2014 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Currency and Exchange Rates

We generate all of our revenues in U.S. dollars but currently incur about half of our operating expenses (around 41% in 2016 and 45% in 2015) and a significant portion of our general and administrative expenses (around 50% in 2016 and 49% in 2015) in currencies other than the U.S. dollar, primarily the Euro. For accounting purposes, including throughout this annual report, expenses incurred in Euros are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. Because a significant portion of our expenses are incurred in currencies other than the U.S. dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. dollar and the Euro, which could affect our results of operations in future periods. Currently, we do not consider the risk from exchange rate fluctuations to be material for our results of operations, as during 2016 and 2015, these non-US dollar expenses represented 42% and 33%, respectively of our revenues and therefore, we are not engaged in extensive derivative instruments to hedge a considerable part of those expenses.

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

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

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

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

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

Management has conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2016 is effective.

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

c) Attestation Report of Independent Registered Public Accounting Firm

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

d) Changes in Internal Control over Financial Reporting

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

Inherent Limitations on Effectiveness of Controls

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

Item 16A. Audit Committee Financial Expert

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

Item 16B. Code of Ethics

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

Item 16C. Principal Accountant Fees and Services

a) Audit Fees

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

Audit fees in 2016 and 2015 amounted to € 420,000 and € 420,000, or approximately $476,920 and $455,704, respectively, and relate to audit services provided in connection with timely AS 4105 reviews, the audit of our consolidated financial statements, the audit of internal control over financial reporting.

b) Audit-Related Fees

Audit related fees in 2015 amounted to € 39,375, or approximately $44,553, and relate to audit services provided in connection with the Company's filings with the SEC. There were no audit related fees in 2016.

c) Tax Fees

During 2016 and 2015, we received services for which fees amounted to $18,600 and $85,000, respectively, and relate to the calculation of Earnings and Profits of the Company.

d) All Other Fees

None.

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

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

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

Not applicable.

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

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

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

On May 23, 2014, we announced that our Board of Directors authorized a share repurchase plan for up to $100 million of the Company's common shares. The plan does not have an expiration date. As of December 31, 2016 and the date of this report, there is an outstanding value of about $72 million of common shares that can be repurchased under the plan.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Overview

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

Executive Sessions

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

Audit Committee

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

Shareholder Approval of Equity Compensation Plans

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

Corporate Governance Guidelines

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

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

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

Item 19. Exhibits

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of Diana Shipping Inc. (originally known as Diana Shipping Investment Corp.) (1)
1.2	Amended and Restated By-laws of the Company (2)
2.1	Form of Common Share Certificate (13)
2.2	Statement of Designation of the 8.875% Series B Cumulative Redeemable Perpetual Preferred Shares of the Company (3)
2.3	Certificate of Designations of the Series A Participating Preferred Stock of the Company (4)
2.4	Base Indenture, dated May 28, 2015, by and between the Company and Deutsche Bank Trust Company Americas (5)
2.5	First Supplemental Indenture to the Base Indenture, dated May 28, 2015, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 8.500% Senior Notes due 2020 (6)
4.1	Stockholders Rights Agreement dated January 15, 2016 (7)
4.2	2014 Equity Incentive Plan (13)
4.3	Form of Technical Manager Purchase Option Agreement (8)
4.4	Form of Management Agreement (9)
4.5	Loan Agreement with Bremer Landesbank dated October 22, 2009 (10)
4.6	Loan Agreement with the Export-Import Bank of China and DnB Nor Bank ASA dated October 2, 2010 (10)
4.7	Loan Agreement with Emporiki Bank of Greece S.A., dated September 13, 2011 (14)
4.8	First Supplemental Agreement, by and between Bikar Shipping Company Inc., Diana Shipping Inc., DSS and Emporiki Bank of Greece S.A., dated December 11, 2012 (13)
4.9	Second Supplemental Agreement, by and between Bikar Shipping Company Inc., Diana Shipping Inc., DSS and Credit Agricole Corporate and Investment Bank, dated December 13, 2012 (13)
4.10	Loan Agreement, dated May 24, 2013, by and among Erikub Shipping Company Inc., Wotho Shipping Company Inc., DNB Bank ASA, and Export-Import Bank of China (11)
4.11	Loan Agreement, dated January 9, 2014, by and among Taka Shipping Company Inc., Fayo Shipping Company Inc., and Commonwealth Bank of Australia (11)
4.12	Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Eluk Shipping Company Inc. and Diana Containerships Inc. (11)
4.13	First Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Eluk Shipping Company Inc. and Diana Containerships Inc., dated July 28, 2014 (13)
4.14	Second Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Eluk Shipping Company Inc. and Diana Containerships Inc., dated September 9, 2015 (13)
4.15	Loan Agreement, dated December 18, 2014, by and among Weno Shipping Company Inc., Pulap Shipping Company Inc., the Banks and Financial Institutions listed therein and BNP Paribas (12)
4.16	Loan Agreement, dated March 17, 2015, by and among Knox Shipping Company Inc., Bokak Shipping Company Inc., Jemo Shipping Company Inc., Guam Shipping Company Inc., Palau Shipping Company Inc., Makur Shipping Company Inc., Mandaringina Inc., Vesta Commercial, S.A., the Banks and Financial Institutions listed therein, Nordea Bank Finland Plc and Nordea Bank AB, London Branch (12)
4.17	Administrative Services Agreement, dated October 1, 2013, by and between Diana Shipping Inc. and Diana Shipping Services S.A. (11)
4.18	Brokerage Services Agreement, dated April 1, 2015, by and between Diana Shipping Inc. and Diana Enterprises Inc. (13)
4.19	Amended and Restated Non-Competition Agreement, dated as of March 1, 2013, by and between Diana Shipping Inc. and Diana Containerships Inc. (11)
4.20	Loan Agreement with ABN AMRO Bank N.V., dated March 26, 2015 (13)
4.21	Loan Agreement with Danish Ship Finance, dated April 29, 2015 (13)
4.22	Joint Venture and Subscription Agreement with Wilhelmsen Ship Management, dated January 16, 2015 (13)

4.23	Loan Agreement with BNP Paribas, dated July 22, 2015 (13)
4.24	Loan Agreement with ING Bank N.V., dated September 30, 2015 (13)
4.25	Loan Agreement with The Export-Import Bank of China, dated January 7, 2016 (13)
4.26	Loan Agreement with ABN AMRO Bank N.V., dated March 29, 2016
4.27	Brokerage Services Agreement, dated April 1, 2016, by and between Diana Shipping Inc. and Diana Enterprises Inc.
4.28	Loan Agreement with DNB Bank ASA and The Export-Import Bank of China, dated May 10, 2016
4.29	Third Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Eluk Shipping Company Inc. and Diana Containerships Inc., dated December 3, 2015
4.30	Fourth Amendment to Loan Agreement, dated May 20, 2013, by and between Diana Shipping Inc., Eluk Shipping Company Inc. and Diana Containerships Inc., dated September 12, 2016
4.31	Waiver Letter from Commonwealth Bank of Australia dated February 15, 2016
4.32	Waiver Letter from Commonwealth Bank of Australia dated January 13, 2017
4.33	Amendment to Loan Agreement dated October 2, 2010 with the Export-Import Bank of China and DnB Nor Bank ASA, dated February 15, 2017
8.1	Subsidiaries of the Company
11.1	Code of Ethics (10)
12.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
12.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
13.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Independent Registered Public Accounting Firm
101	The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2015 and 2016; (ii) Consolidated Statements of Operations for the years ended December 31, 2014, 2015 and 2016; (iii) Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2014, 2015 and 2016; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014, 2015 and 2016; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2015 and 2016; and (v) the Notes to Consolidated Financial Statements

(1) Filed as Exhibit 1 to the Company's Form 6-K filed on May 29, 2008.
(2) Filed as Exhibit 3.1 to the Company's Form 6-K filed on February 13, 2014.
(3) Filed as Exhibit 3.3 to the Company's Form 8-A filed on February 13, 2014.
(4) Filed as Exhibit 3.1 to the Company's Form 8-A12B/A filed on January 15, 2016.
(5) Filed as Exhibit 4.1 to the Company's Form 6-K filed on May 28, 2015.
(6) Filed as Exhibit 4.2 to the Company's Form 6-K filed on May 28, 2015.
(7) Filed as Exhibit 4.1 to the Company's Form 8-A12B/A filed on January 15, 2016.
(8) Filed as an Exhibit to the Company's Registration Statement (File No. 123052) on March 1, 2005.
(9) Filed as an Exhibit to the Company's Amended Registration Statement (File No. 123052) on March 15, 2005.
(10) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 30, 2010.
(11) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 27, 2014.
(12) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 25, 2015.
(13) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on March 28, 2016.
(14) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on April 20, 2012.

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: February 17, 2017

DIANA SHIPPING INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Diana Shipping Inc.

We have audited the accompanying consolidated balance sheets of Diana Shipping Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. 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, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2017 expressed an unqualified opinion thereon.

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

Athens, Greece
February 17, 2017

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, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Diana Shipping Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. 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, 2016, 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, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016 of Diana Shipping Inc. and our report dated February 17, 2017, expressed an unqualified opinion thereon.

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

Athens, Greece
February 17, 2017

DIANA SHIPPING INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2(e))	$ 98,142	$ 171,718
Accounts receivable, trade (Note 2(f))	5,903	4,512
Due from related parties (Notes 2(g) and 4(b))	102	5,103
Inventories (Note 2(h))	5,860	6,251
Prepaid expenses and other assets	5,309	5,929
Total current assets	115,316	193,513
FIXED ASSETS:		
Advances for vessels under construction and acquisitions and other vessel costs (Note 5)	46,863	44,514
Vessels (Note 6)	1,987,419	1,947,992
Accumulated depreciation (Note 6)	(583,507)	(507,189)
Vessels' net book value (Note 6)	1,403,912	1,440,803
Property and equipment, net (Note 7)	23,114	23,489
Total fixed assets	1,473,889	1,508,806
OTHER NON-CURRENT ASSETS:		
Compensating cash balance (Notes 2(e) and 8)	23,000	21,500
Due from related parties, non-current (Notes 2(g) and 4(b))	45,417	43,750
Equity method investments (Note 3)	6,014	62,487
Deferred charges, net (Notes 2(m) and 2(n))	5,027	6,909
Total assets	$ 1,668,663	$ 1,836,965
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt, net of deferred financing costs, current (Note 8)	$ 65,072	$ 40,984
Accounts payable, trade and other	6,572	8,963
Due to related parties (Note 4)	25	64
Accrued liabilities	5,734	6,449
Deferred revenue	822	2,414
Other current liabilities	-	15
Total current liabilities	78,225	58,889
Long-term debt, net of current portion and deferred financing costs, non-current (Note 8)	533,109	559,087
Other non-current liabilities	740	623
Commitments and contingencies (Note 9)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock (Note 10(a))	26	26
Common stock, $0.01 par value; 200,000,000 shares authorized and 84,696,017 and 82,546,017 issued and outstanding at December 31, 2016 and 2015, respectively (Note 10(b))	847	825
Additional paid-in capital	985,171	976,880
Accumulated other comprehensive income	185	269
Retained earnings	70,360	240,366
Total stockholders' equity	1,056,589	1,218,366
Total liabilities and stockholders' equity	$ 1,668,663	$ 1,836,965

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

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended December 31, 2016, 2015 and 2014
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2016	2015	2014
REVENUES:			
Time charter revenues	$ 114,259	$ 157,712	$ 175,576
EXPENSES:			
Voyage expenses	13,826	15,528	10,665
Vessel operating expenses	85,955	88,272	86,923
Depreciation and amortization of deferred charges (Notes 2(l) and 2(m))	81,578	76,333	70,503
General and administrative expenses	25,510	25,335	26,217
Management fees to related party (Notes 3(b) and 4(d))	1,464	405	-
Gain on contract termination (Note 9(b))	(5,500)	-	-
Foreign currency gain	(253)	(984)	(528)
Operating loss	$ (88,321)	$ (47,177)	$ (18,204)
OTHER INCOME / (EXPENSES):			
Interest and finance costs (Note 11)	(21,949)	(15,555)	(8,427)
Interest and other income (Note 4(b))	2,410	3,152	3,627
Gain from derivative instruments (Note 14)	-	-	68
Gain/(loss) from equity method investments (Note 3)	(56,377)	(5,133)	12,668
Total other income/(expenses), net	$ (75,916)	$ (17,536)	$ 7,936
Net loss	$ (164,237)	$ (64,713)	$ (10,268)
Dividends on series B preferred shares (Notes 10(a) and 12)	(5,769)	(5,769)	(5,080)
Net loss attributed to common stockholders	$ (170,006)	$ (70,482)	$ (15,348)
Loss per common share, basic and diluted (Note 12)	$ (2.11)	$ (0.89)	$ (0.19)
Weighted average number of common shares, basic and diluted (Note 12)	80,441,517	79,518,009	81,292,290

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the year ended December 31, 2016, 2015 and 2014
(Expressed in thousands of U.S. Dollars)

	2016	2015	2014
Net loss	$ (164,237)	$ (64,713)	$ (10,268)
Other comprehensive income/(loss) (Actuarial gain/(loss))	(84)	1,016	(911)
Comprehensive loss	$ (164,321)	$ (63,697)	$ (11,179)

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, 2016, 2015 and 2014
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	Preferred Stock		Common Stock					
	# of Shares	Par Value	# of Shares	Par Value	Additional Paid-in Capital	Other Comprehensive Income / (Loss)	Retained Earnings	Total Equity
BALANCE, December 31, 2013	-	$ -	82,841,370	$ 828	$ 926,204	$ 164	$ 326,196	$ 1,253,392
Net loss	-	$ -	-	$ -	$ -	$ -	$ (10,268)	$ (10,268)
Issuance of series B preferred stock (Note 10(a))	2,600,000	26	-	-	62,672	-	-	62,698
Issuance of restricted stock and compensation cost (Note 10(c))	-	-	1,864,000	19	7,725	-	-	7,744
Dividends on series B preferred stock (Note 10(a))	-	-	-	-	-	-	(5,080)	(5,080)
Stock repurchased and retired (Note 10(d))	-	-	(2,845,549)	(28)	(25,321)	-	-	(25,349)
Other comprehensive loss	-	-	-	-	-	(911)	-	(911)
BALANCE, December 31, 2014	2,600,000	$ 26	81,859,821	$ 819	$ 971,280	$ (747)	$ 310,848	$ 1,282,226
Net loss	-	$ -	-	$ -	$ -	$ -	$ (64,713)	$ (64,713)
Issuance of restricted stock and compensation cost (Note 10(c))	-	-	1,100,000	10	8,269	-	-	8,279
Dividends on series B preferred stock (Note 10(a))	-	-	-	-	-	-	(5,769)	(5,769)
Stock repurchased and retired (Note 10(d))	-	-	(413,804)	(4)	(2,669)	-	-	(2,673)
Other comprehensive income	-	-	-	-	-	1,016	-	1,016
BALANCE, December 31, 2015	2,600,000	$ 26	82,546,017	$ 825	$ 976,880	$ 269	$ 240,366	$ 1,218,366
Net loss	-	$ -	-	$ -	$ -	$ -	$ (164,237)	$ (164,237)
Issuance of restricted stock and compensation cost (Note 10(c))			2,150,000	22	8,291	-	-	8,313
Dividends on series B preferred stock (Note 10(a))	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	(84)	-	(84)
BALANCE, December 31, 2016	2,600,000	$ 26	84,696,017	$ 847	$ 985,171	$ 185	$ 70,360	$ 1,056,589

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

DIANA SHIPPING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended December 31, 2016, 2015 and 2014
(Expressed in thousands of U.S. Dollars)

	2016	2015	2014
Cash Flows from Operating Activities:			
Net loss	$ (164,237)	$ (64,713)	$ (10,268)
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:			
Depreciation and amortization of deferred charges	81,578	76,333	70,503
Amortization of financing costs (Note 11)	1,503	1,364	519
Amortization of free lubricants benefit	(15)	(85)	(129)
Compensation cost on restricted stock (Note 10(c))	8,313	8,279	7,744
Actuarial gain / (loss)	(84)	1,016	(911)
Change in fair value of derivative instruments	-	-	(378)
Gain on shipbuilding contract termination (Note 5)	(278)	-	-
(Gain)/loss from equity method investments, net of dividends (Note 3)	56,377	5,133	(12,668)
(Increase) / Decrease in:			
Receivables	(1,391)	1,871	(5,682)
Due from related parties	3,334	2,070	(604)
Inventories	391	1,062	(1,354)
Prepaid expenses and other assets	620	(349)	(1,091)
Other non-current assets	-	-	793
Increase / (Decrease) in:			
Accounts payable	(2,391)	(739)	2,293
Due to related parties	(39)	(217)	60
Accrued liabilities, net of accrued preferred dividends	(715)	437	(11)
Deferred revenue	(1,592)	(865)	1
Other liabilities	117	(643)	554
Drydock costs	(2,489)	(6,009)	(4,461)
Net cash provided by/(used in) Operating Activities	$ (20,998)	$ 23,945	$ 44,910
Cash Flows from Investing Activities:			
Payments for vessel acquisitions, improvements and construction (Notes 5 and 6)	(50,911)	(155,352)	(111,702)
Proceeds from shipbuilding contract termination (Notes 5)	9,413	-	-
Acquisition of additional interest in Diana Containerships Inc. (Note 3(a))	-	-	(40,000)
Cash dividends from investment in Diana Containerships Inc. (Note 3(a))	96	193	763
Joint venture investment (Note 3(b))	-	(267)	-
Payments for plant, property and equipment (Note 7)	(217)	(211)	(1,574)
Net cash used in Investing Activities	$ (41,619)	$ (155,637)	$ (152,513)
Cash Flows from Financing Activities:			
Proceeds from long-term debt (Note 8)	39,265	441,173	101,500
Proceeds from issuance of preferred stock, net of expenses (Note 10(a))	-	-	62,698
Cash dividends on preferred stock	(5,769)	(5,769)	(3,862)
Changes in compensating cash balances	(1,500)	(2,000)	(1,500)
Payments for repurchase of common stock (Note 10(d))	-	(2,673)	(25,349)
Financing costs	(466)	(5,482)	(527)
Loan payments (Note 8)	(42,489)	(321,240)	(48,589)
Net cash provided by / (used in) Financing Activities	$ (10,959)	$ 104,009	$ 84,371
Net decrease in cash and cash equivalents	(73,576)	(27,683)	(23,232)
Cash and cash equivalents at beginning of the year	171,718	199,401	222,633
Cash and cash equivalents at end of the year	$ 98,142	$ 171,718	$ 199,401
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 19,265	$ 13,048	$ 8,180

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

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

1. Basis of Presentation and General Information

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

The Company is engaged in the ocean transportation of dry bulk cargoes worldwide mainly through the ownership of dry bulk carrier vessels. The Company also operates the majority of its own fleet through Diana Shipping Services S.A. (or "DSS"), a wholly-owned subsidiary and a limited number of vessels through a 50% owned joint venture (Notes 3 and 4).

The consolidated balance sheet as of December 31, 2015 has been derived from the audited consolidated financial statements at that date, as adjusted to conform to current period presentation for compensating cash balance, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Diana Shipping Services S.A., or DSS, provides the Company and its vessels with management services since November 12, 2004, pursuant to management agreements and since October 1, 2013 administrative services with regards to services related to DSI's operations and its subsidiaries. Such costs are eliminated in consolidation. As at December 31, 2016, DSS does not provide management services to seven vessels in the Company's fleet whose management has been transferred progressively since August 2015 to Diana Wilhelmsen Management Limited (Notes 3(b) and 4(d)).

During 2016, 2015 and 2014 charterers that individually accounted for 10% or more of the Company's time charter revenues were as follows:

Charterer	2016	2015	2014
A	19%	24%	10%
B	15%		
C	10%	20%	
D	10%		18%
E		12%	12%
F		10%	15%

2. Significant Accounting Policies

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

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

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

(d) ***Foreign Currency Translation:*** The functional currency of the Company is the U.S. dollar because the Company's vessels operate in international shipping markets, and therefore primarily transact business in U.S. dollars. The Company's accounting records are maintained in U.S. dollars. Transactions involving other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are translated into U.S. dollars at the year-end exchange rates. Resulting gains or losses are reflected separately in the accompanying consolidated statements of operations.

(e) ***Cash and Cash Equivalents:*** The Company considers highly liquid investments such as time deposits, certificates of deposit and their equivalents with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents may also include compensating cash balances kept against the Company's loan facilities that are not deemed to be sufficiently material to require segregation on the balance sheet. As of December 31, 2016 and 2015, such balances are separately presented as "Compensating cash balance" and consist of minimum cash deposits required to be maintained at all times under the Company's loan facilities (Note 8).

(f) ***Accounts Receivable, Trade:*** The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire, ballast bonus billings, if any, hold cleanings and extra voyage insurance, net of any provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No provision for doubtful accounts was established as of December 31, 2016 and 2015.

(g) ***Loan Receivable from Related Parties***: The amounts shown as Due from related parties, current and non-current, in the consolidated balance sheet as at December 31, 2016 and 2015, (Note 4(b)) represent amounts receivable from Diana Containerships Inc. with respect to a loan agreement with a wholly owned subsidiary of Diana Containerships Inc., net of any provision for credit losses. Interest income and fees, deriving from the agreement are recorded in the accounts as incurred. At each balance sheet date, amounts due under the aforementioned loan agreement are assessed for purposes of determining the appropriate provision for credit losses. As at December 31, 2016 and 2015, the Company assessed the ability of Diana Containerships to meet its obligations under the loan agreement by taking into consideration existing economic conditions, the current financial condition of Diana Containerships Inc. historical losses, and other risks/factors that may affect its future financial condition and its ability to meet its obligations. As a result of this assessment, the Company did not record any provision for credit losses, as it determined that Diana Containerships will be able to meet its obligations under the loan in the near future.

(h) ***Inventories***: Inventories consist of lubricants and victualling which are stated at the lower of cost or market. Cost is determined by the first in, first out method. Inventories may also consist of bunkers when on the balance sheet date a vessel remains idle. Bunkers are also stated at the lower of cost or market and cost is determined by the first in, first out method.

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

(j) ***Property and equipment:*** The Company owns the land and building where its offices are located. Land is presented in its fair value on the date of acquisition and it is not subject to depreciation. The building has an estimated useful life of 55 years with no residual value. Depreciation is calculated on a straight-line basis. Equipment consists of office furniture and equipment, computer software and hardware and vehicles which consist of motor scooters and a car. The useful life of the car is 10 years, of the office furniture, equipment and the scooters is 5 years; and of the computer software and hardware is 3 years. Depreciation is calculated on a straight-line basis.

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

With respect to the vessels, the Company determines undiscounted projected net operating cash flows for each vessel by considering the historical and estimated vessels' performance and utilization, assuming (i) future revenues calculated for the fixed days, using the fixed charter rate of each vessel from existing time charters and for the unfixed days, the most recent 10 year average of historical 1 year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of brokerage commissions. Historical ten-year blended average one-year time charter rates are in line with the Company's overall chartering strategy, they reflect the full operating history of vessels of the same type and particulars with the Company's operating fleet and they cover at least a full business cycle; (ii) expected outflows for scheduled vessels' maintenance; (iii) vessel operating expenses increasing annually by an annual inflation rate of 3%, which approximates current projections for global inflation rate; (iv) effective fleet utilization of 98% taking into account the period each vessel is expected to remain off hire for scheduled maintenance (dry docking and special surveys) and 1% off hire days (other than for dry docking and special surveys) each year, assumptions in line with the Company's historical performance and its expectations for future fleet utilization under its current fleet deployment strategy.

The Company concluded based on this exercise that step two of the impairment analysis was not required and has not identified any facts or circumstances that would require the write down of vessel values as at December 31, 2016 or in the near future and no impairment loss has been identified or recorded for 2016, 2015 and 2014.

With respect to the land and building, the Company determines undiscounted projected net operating cash flows by considering an estimated monthly rent the Company would have to pay in order to lease a similar property, during the useful life of the building. As at December 31, 2016, 2015 and 2014, no impairment loss was identified or recorded and the Company has not identified any other facts or circumstances that would require the write down of the value of its land or building in the near future.

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

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

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

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

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

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

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

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

(t) ***Fair Value Measurements***: The Company classifies and discloses its assets and liabilities carried at the fair value in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;
Level 3: Unobservable inputs that are not corroborated by market data.

(u) ***Share Based Payments:*** The Company measures 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.

(v) ***Derivatives:*** The Company is exposed to interest rate fluctuations associated with its variable rate borrowings and its objective is to manage the impact of such fluctuations on earnings and cash flows of its borrowings. In this respect, in May 2009, the Company entered into a five-year zero cost collar agreement, novated in March 2012, and terminated in May 2014, to manage its exposure to interest rate changes related to its borrowings. The collar agreement was considered as an economic hedge agreement as it did not meet the criteria of hedge accounting; therefore, the changes in its fair value were recognized in earnings (Note 14).

(w) ***Equity method investments:*** Investments in common stock in entities over which the Company exercises significant influence, but does not exercise control are accounted for by the equity method of accounting. Under this method, the Company records such an investment at cost and adjusts the carrying amount for its share of the earnings or losses of the entity subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received, if any, reduce the carrying amount of the investment. When the Company's share of losses in an entity accounted for by the equity method equals or exceeds its interest in the entity, the Company does not recognize further losses, unless the Company has made advances, incurred obligations and made payments on behalf of the entity. The Company also evaluates whether a loss in value of an investment that is other than a temporary decline should be recognized. Evidence of a loss in value might include absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment. In 2016, the Company assessed the financial condition of Diana Containerships Inc., the market conditions that could affect its operations in the near future and historical losses of its investment and as a result the Company recorded an impairment (Note 3(a)) as it was considered that the loss in the value of its investment was other than temporary.

(x) ***Variable Interest Entities:*** The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist, as the primary beneficiary would be required to include assets, liabilities, and the results of operations of the variable interest entity in its financial statements. For 2016, the Company also considered the amendments under ASU 2015-02, "Consolidation (Topic 810)—Amendments to the Consolidation Analysis", issued in February 2015. The Company's evaluation did not result in an identification of variable interest entities as of December 31, 2016 and 2015.

Recent Accounting Pronouncements not yet adopted

(a) In July 2015, the FASB issued ASU No. 2015-11 –Inventory. ASU 2015-11 is part of FASB Simplification Initiative. Current guidance requires an entity to measure inventory at the lower of cost or market. Market could be the replacement cost, net realizable value or net realizable value less an approximately normal profit margin. Under this Update, the entities will be required to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments under the Update more closely align measurement of inventory in US GAAP with the measurement of inventory in IFRS. For public entities, the amendments of this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments of this Update should be applied prospectively with early application permitted. The Company does not expect the adoption of this ASU to have a material impact on Company's results of operations, financial position or cash flows.

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

(c) In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") No. 2016-09- Compensation-Stock Compensation – Improvements to Employee Share-Based Payment Accounting (Topic 718) which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new standard, all excess income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. In regards to forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period, however early adoption is permitted. The Company has adopted the provisions of ASU 2016-09, which did not impact its consolidated financial statements and notes disclosures.

In May and April 2016, the FASB issued two Updates with respect to Topic 606: ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients." The amendments in these Updates do not change the core principle of the guidance in Topic 606, which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying the following steps: (1) Identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in Update 2016-10 simply clarify the following two aspects of Topic 606: (1) identifying performance obligations and (2) licensing implementation guidance. The amendments in Update 2016-12 similarly affect only certain narrow aspects of Topic 606; namely, (1) "Assessing the Collectibility Criterion in Paragraph 606-10-25-1(e) and Accounting for Contracts That Do Not Meet the Criteria for Step 1 (Applying Paragraph 606-10-25-7)," (2) "Presentation of Sales Taxes and Other Similar Taxes Collected from Customers," (3) "Noncash Consideration," (4) "Contract Modifications at Transition," (5) "Completed Contracts at Transition," and (6) "Technical Correction." The amendments in these Updates also affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in these Updates are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Accounting Standards Update 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," has deferred the effective date of Update 2014-09 for public business entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted. The new revenue standard may be applied using either of the following transition methods: (1) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (2) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). The Company will adopt the standard in the first quarter of 2018 and preliminarily expect to use the modified retrospective method. Currently, the Company is in the process of evaluating the impact of the standard and of reviewing historical contracts to quantify the impact that the adoption of the standard will have on specific performance obligations.

(d) In June 2016, the FASB issued ASU No. 2016-13– Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For public entities, the amendments of this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted. The Company is in the process of assessing the impact of the amendment of this Update on the Company's consolidated financial position and performance.

(e) In August 2016, the FASB issued ASU No. 2016-15- Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments which addresses the following eight specific cash flow issues with the objective of reducing the existing diversity in practice: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period, however early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

(f) In November 2016, the FASB issued ASU No. 2016-18—Statement of Cash Flows (Topic 230) - Restricted Cash which addresses the requirement that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period, however early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

3. Equity Method Investments

a) ***Diana Containerships Inc. ("Diana Containerships"):*** On July 29, 2014, DSI invested $40,000 in Diana Containerships in a private placement. As at December 31, 2016 and 2015, DSI owned 25.73% and 26.08%, respectively, of the share capital of Diana Containerships. On September 30, 2016, the Company reduced the value of the investment to its market value based on Diana Containerships' share price on Nasdaq on that day resulting to an impairment of $17,568. As at December 31, 2016 and 2015, the investment in Diana Containerships amounted to $5,815 and $62,376, respectively, and is included in "Equity method investments" in the accompanying consolidated balance sheets. As at December 31, 2016, the market value of the investment was $6,696 based on Diana Containerships' closing price on Nasdaq of $2.78.

For 2016, 2015, and 2014, the investment in Diana Containerships resulted in loss of $56,465 (including impairment discussed above), loss of $4,977, and gain of $12,668, respectively, which is included in "Gain/(loss) from equity method investments" in the accompanying consolidated statements of operations. Also for 2016, 2015, and 2014, DSI received dividends from Diana Containerships amounting to $96, $193 and $763, respectively.

b) ***Diana Wilhelmsen Management Limited ("DWM"):*** DWM is a joint venture which was established on May 7, 2015 by Diana Ship Management Inc., a wholly owned subsidiary of DSI, and Wilhelmsen Ship Management Holding Limited, an unaffiliated third party, each holding 50% of DWM. As at December 31, 2016, DWM provided management services to seven vessels of the Company's fleet (Note 4(d)). The DWM office is located in Limassol, Cyprus. As at December 31, 2016 and 2015, the investment in DWM amounted to $199 and $111, respectively, and is included in "Equity method investments" in the accompanying consolidated balance sheets. For 2016 and 2015, the investment in DWM resulted in gain of $88 and loss of $156, respectively, included in "Gain/(loss) from equity method investments" in the accompanying consolidated statements of operations.

4. Transactions with Related Parties

(a) ***Altair Travel Agency S.A. ("Altair"):*** The Company uses the services of an affiliated travel agent, Altair, which is controlled by the Company's CEO and Chairman of the Board. Travel expenses for 2016, 2015 and 2014 amounted to $2,320, $2,685, and $2,765, respectively, and are mainly included in "Vessels", "Advances for vessels under construction and acquisitions and other vessel costs", "Vessel operating expenses" and "General and administrative expenses" in the accompanying consolidated financial statements. At December 31, 2016 and 2015, an amount of $23 and $62, respectively, was payable to Altair and is included in "Due to related parties" in the accompanying consolidated balance sheets.

(b) ***Diana Containerships Inc.:*** On May 20, 2013, DSI's Independent Committee of the Board of Directors and the Board of Directors approved to provide to a wholly owned subsidiary of Diana Containerships, a five year unsecured loan of $50,000, or "the loan", drawn on August 20, 2013, for general corporate purposes and working capital. The loan, until the amendments discussed below, bore interest at LIBOR plus a margin of 5% and a back-end fee equal to 1.25% per annum on the outstanding amount of the loan payable by the borrower on the repayment date of the loan. On July 30, 2015, DSI's Independent Committee of the Board of Directors and the Board of Directors approved an amendment to the loan, pursuant to which as of September 9, 2015, the date of the amendment, the loan matures on March 15, 2022; bears interest at LIBOR plus a margin of 3% per annum; the back-end fee became payable on the date of the amendment and was replaced by a fixed fee of $200 payable on the maturity date. In addition, the borrower agreed to repay the principal amount of the loan on the last day of each interest period in amounts totalling $5,000 per annum, but not to exceed $32,500 in the aggregate. On August 24, 2016, DSI's Independent Committee of the Board of Directors and the Board of Directors approved another amendment to the loan, pursuant to which the repayment of all outstanding principal amounts are deferred until the later of (i) the repayment or prepayment in full by Diana Containerships of a deferred amount under its loan agreement with The Royal Bank of Scotland plc, whose repayment is scheduled to commence on March 15, 2019 and be completed not later than June 15, 2021, and (ii) September 15, 2018. The amendment also changes the borrower under the Loan to another wholly-owned subsidiary of Diana Containerships and provides for an increase of the interest rate for the period between September 12, 2016 (the effective date of the amendment) and December 31, 2018 to 3.35% per annum over LIBOR.

As at December 31, 2016, there was an amount of $102 due from Diana Containerships separately presented in "Due from related parties, current" and $45,417 due from Diana Containerships, separately presented in "Due from related parties, non-current", in the related accompanying consolidated balance sheet. As at December 31, 2015, similarly, there was an amount of $5,103 and $43,750 due from Diana Containerships current and non-current, respectively.

For 2016, 2015, and 2014, income from interest and fees amounted to $1,692, $2,745, and $3,246, respectively, and is included in "Interest and other income" in the accompanying consolidated statements of operations.

(c) ***Diana Enterprises Inc. ("Diana Enterprises"):*** Diana Enterprises is a company controlled by the Company's CEO and Chairman of the Board which provides brokerage services to DSI pursuant to a Brokerage Services Agreement for a fixed fee amended annually on each anniversary of the agreement. For 2016, 2015, and 2014, brokerage fees amounted to $1,680, $1,302, and $1,250, respectively, and are included in "General and administrative expenses" in the accompanying consolidated statements of operations. As of December 31, 2016 and 2015, there was no amount due to Diana Enterprises included in the accompanying consolidated balance sheets.

(d) ***Diana Wilhelmsen Management Limited ("DWM"):*** As of December 31, 2016, DWM provided management services to seven vessels of the Company's fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues. Management fees for 2016 and 2015, amounted to $1,464 and $405, respectively, and are separately presented as "Management fees to related party" in the accompanying consolidated statements of operations, whereas commercial fees amounted to $124 and $43, respectively, and are included in "Voyage expenses". As at December 31, 2016 and 2015 there was an amount of $2 and $2, respectively, due to DWM, included in "Due to related parties" in the related accompanying consolidated balance sheets.

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

(e) ***Vessel Acquisitions:*** On February 4, 2016, the Company, through three separate wholly-owned subsidiaries, entered into three Memoranda of Agreement to acquire from a related party three Panamax vessels for an aggregate purchase price of $39,265. The Company had agreed to acquire the vessels from entities affiliated with Mrs. Semiramis Paliou and Mrs. Aliki Paliou, each of whom is a family member of the Company's Chief Executive Officer and Chairman of the Board. Mrs. Semiramis Paliou is also a director of the Company. The transaction was approved unanimously by a committee of the Board of Directors established for the purpose of considering the transaction and consisting of the Company's independent directors and each of its executive directors other than Mrs. Semiramis Paliou and Mr. Simeon Palios. The agreed upon purchase price of the vessels was based, among other factors, on independent third party broker valuations obtained by the Company. Two of the vessels were delivered in March 2016 and the third was delivered in May 2016 (Note 6).

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

In May 2013, Aster Shipping Company Inc. and Aerik Shipping Company Inc., each entered into a shipbuilding contract with unrelated third parties for the construction of a Newcastlemax dry bulk carrier for the aggregate price of $97,400. In December 2016, the contract price was reduced by $2,000 on aggregate, pursuant to an amendment of the shipbuilding contacts. The vessels were delivered on January 4, 2017 (Note 15(b)).

In January 2014, Houk Shipping Company Inc. (or Houk), entered into a shipbuilding contract with unrelated third parties for the construction of a Kamsarmax dry bulk carrier for a contract price of $28,825. On October 31, 2016, Houk provided a notice of cancellation of the shipbuilding contract pursuant to its right under the contract to cancel the contract due to a delay in delivery and to claim a refund of the pre-delivery installments and interest, amounting to $9,413, which we received in December 2016.

As at December 31, 2016, the remaining contractual obligations amounted to $52,440 (Notes 9 and 15(b)).

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 capitalized in accordance with the Company's related accounting policy (Note 2(i)). The movement of the account during 2016 and 2015 was as follows:

	2016	2015
Beginning balance	$ 44,514	$ 29,500
- Advances for vessels under construction and other vessel costs	11,484	25,080
- Advances for vessel acquisitions and other vessel costs	-	40,105
- Reduction due to cancelation of shipbuilding contract	(9,135)	-
- Transferred to vessel cost (Note 6)	-	(50,171)
Ending balance	$ 46,863	$ 44,514

6. Vessels

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

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2014	$ 1,807,654	$ (434,521)	$ 1,373,133
- Transfer from advances for vessels under construction and acquisition and other vessel costs (Note 5)	50,171	-	50,171
- Acquisitions, improvements and other vessel costs	90,167	-	90,167
- Depreciation for the year	-	(72,668)	(72,668)
Balance, December 31, 2015	$ 1,947,992	$ (507,189)	$ 1,440,803
- Acquisitions, improvements and other vessel costs	39,427	-	39,427
- Depreciation for the year	-	(76,318)	(76,318)
Balance, December 31, 2016	$ 1,987,419	$ (583,507)	$ 1,403,912

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

In December 2014, Lelu Shipping Company Inc., acquired from an unrelated third party the *Santa Barbara*, for a purchase price of $50,000. The vessel was delivered in January 2015.

On April 20, 2015, Ujae Shipping Company Inc., acquired from an unrelated third party the *New Orleans*, for a purchase price of $43,000. The vessel was delivered on November 10, 2015.

On April 27, 2015, Rairok Shipping Company Inc. acquired from an unrelated third party the *Medusa*, for a purchase price of $18,050. The vessel was delivered in June 2015.

On November 2, 2015, Toku Shipping Company Inc. acquired from an unrelated third party the *Seattle*, for a purchase price of $28,500. The vessel was delivered in November 2015.

On February 4, 2016, the Company entered into three Memoranda of Agreement to acquire from a related party three Panamax vessels for an aggregate purchase price of $39,265. Two of the vessels were delivered in March 2016 and the third was delivered in May 2016 (Note 4(e)).

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, 2014	$ 26,154	$ (2,267)	$ 23,887
- Additions in property and equipment	211	-	211
- Depreciation for the year	-	(609)	(609)
Balance, December 31, 2015	$ 26,365	$ (2,876)	$ 23,489
- Additions in property and equipment	217	-	217
- Depreciation for the year	-	(592)	(592)
Balance, December 31, 2016	$ 26,582	$ (3,468)	$ 23,114

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

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

	2016	2015
8.5% Senior Unsecured Notes	63,250	63,250
Secured Term Loans	539,467	542,691
Total debt outstanding	$ 602,717	$ 605,941
Less related deferred financing costs	(4,536)	(5,870)
Total debt, net of deferred financing costs	$ 598,181	$ 600,071
Less: Current portion of long term debt, net of deferred financing costs current	(65,072)	(40,984)
Long-term debt, net of current portion and deferred financing costs, non-current	$ 533,109	$ 559,087

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

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

Revolving credit facility: On July 24, 2015, the Company voluntarily prepaid in full an outstanding balance, amounting to $195,000, under its revolving credit facility dated February 18, 2005 and amended on May 24, 2006, and the related agreement was then terminated. The credit facility bore interest at LIBOR plus a margin ranging from 0.75% to 0.85%. The weighted average interest rate of the facility as of December 31, 2015 was 0.90%.

Secured Term Loans: The Company, through its subsidiaries, has entered into various long term loan agreements with bank institutions to partly finance or, as the case may be, refinance part of the acquisition cost of certain of its fleet vessels. The loan agreements are repayable in quarterly or semi-annual installments plus one balloon installment per loan agreement to be paid together with the last installment and bear interest at LIBOR plus margin ranging from 1% to 3%. For 2016 and 2015, the weighted average interest rates of the secured term loans were 2.79% and 2.47%, respectively. Their maturities range from January 2019 to March 2032.

During 2015 and 2016, the Company entered into the following agreements:

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

On March 10, 2015, the Company repaid in full the then outstanding indebtedness with Deutsche Bank for the vessel *New York* amounting to $28,600. In addition on March 20, 2015 the Company prepaid the then outstanding indebtedness with Deutsche Bank for the vessels *Myrto* and *Maia* amounting to $15,750 and the agreement was terminated.

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

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

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

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

On January 7, 2016, the Company, through the three wholly-owned subsidiaries, entered into a secured loan agreement with the Export-Import Bank of China for a loan of up to $75,735 in order to finance part of the construction cost of the vessels (Note 5). The loan is available for drawdown in tranches. Each tranche is repayable in 60 equal quarterly instalments, as follows: tranche A and B in the amount of $487 each and tranche C in the amount of about $288, all tranches latest by March 12, 2032. The loan bears interest at LIBOR plus a margin of 2.3%. In October 2016, the Company cancelled its shipbuilding contract for Hull DY6006 (Note 5) and as such the related tranche C was also cancelled as of October 31, 2016 (Note 15 (b)).

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

On May 10, 2016, the Company, through one wholly-owned subsidiary, entered into a term loan agreement with DNB Bank ASA and the Export-Import Bank of China for a loan of $13,510, drawn on the same date, being the purchase price of the *Maera*. The loan is payable in seven equal consecutive quarterly installments of about $20 each, four equal consecutive quarterly installments of about $283 and a balloon of about $12,242 payable together with the last installment on January 4, 2019. The loan bears interest at LIBOR plus a margin of 3% per annum.

Under the secured term loans outstanding as of December 31, 2016, 45 vessels of the Company's fleet are mortgaged with first preferred or priority ship mortgages. Additional securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts that exceed a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by DSI (the "Guarantor") or a guarantee by the ship owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the guarantor, maintained in the bank accounts of the borrowers, or the guarantor. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends following the occurrence of an event of default.

On November 30, 2016, the Company received a letter from BNP Paribas advising that the Company was not in compliance with the loan to value covenant contained in the $165.0 million loan agreement, creating a shortfall of $39,600. Similarly, as at December 31, 2016, the Company was not in compliance with the same minimum security cover requirement. The shortfall was estimated by the Company to be $25,650 and an amount of $19,731, representing the amount which would have to be paid to the bank, was reclassified from non-current debt to the "Current portion of long-term debt, net of deferred financing costs, current" in the 2016 accompanying consolidated balance sheet. In addition, the Company received a waiver from the Commonwealth Bank, valid until December 31, 2016, for the non-compliance with the minimum required security cover, which was amended to a lower level than the one stated in the loan agreement. On January 13, 2017, the bank extended its consent for the use of the lower minimum required security cover until June 30, 2017.

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

As at December 31, 2016, the Company's fleet, except for Seattle, having an aggregate carrying value of $1,376,525 has been provided as collateral to secure the debt facilities.

As at December 31, 2016 and 2015, the maximum amount required by the banks as compensating cash balance amounted to $23,000 and $21,500, respectively and is separately presented in the accompanying consolidated balance sheets.

The maturities of the Company's debt facilities described above, as at December 31, 2016, and throughout their term, are shown in the table below. The table has been adjusted to reflect the shortfall created in the loan agreement of BNP Paribas with regards to the minimum security cover requirement, as mentioned above. The table does not include the right of lenders of a secured term loan to demand prepayment in 2018 of the then outstanding balance of the loan, subject however to a written notification by the lender(s) to the borrower(s) by May 2017:

Period	Principal Repayment
January 1, 2017 to December 31, 2017	$ 66,470
January 1, 2018 to December 31, 2018	58,737
January 1, 2019 to December 31, 2019	116,599
January 1, 2020 to December 31, 2020	163,581
January 1, 2021 to December 31, 2021	128,678
January 1, 2022 and thereafter	68,652
Total	$ 602,717

9. Commitments and Contingencies

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

The Company's vessels are covered for pollution in the amount of $1 billion per vessel per incident, by the P&I Association in which the Company's vessels are entered. The Company's vessels are subject to calls payable to their P&I Association and may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the Board of Directors of the P&I Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to. During 2016, the Company was notified by one of its P&I Clubs of supplemental calls with respect to the 2015 policy year which however were immaterial and were expensed in the 2016 consolidated statement of operations.

b) In December 2016, the Company, through one of its wholly-owned subsidiaries, upon signing a settlement agreement with former charterers, received an amount of $5,500 as partial payment pursuant to an arbitration award. The partial payment of the arbitration award is without prejudice, and the Company intends to seek the recovery of the balance of the award.

c) The Company had shipbuilding contracts for the construction of two Newcastlemax dry bulk carriers (Note 5 and 15). As at December 31, 2016, the total obligations under these contracts amounted to $52,440.

d) As at December 31, 2016, the minimum contractual gross charter revenues expected to be generated from fixed and non-cancelable time charter contracts existing as at December 31, 2016 and until their expiration were as follows:

Period	Amount
Year 1	$ 36,048
Year 2	3,660
Total	**$ 39,708**

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

10. Capital Stock and Changes in Capital Accounts

(a) ***Preferred stock***: As at December 31, 2016 and 2015, the Company's authorized preferred stock consists of 25,000,000 shares (all in registered form) of preferred stock, par value $0.01 per share, of which 1,000,000 are designated as Series A Participating Preferred Shares; and 5,000,000 are designated as Series B Preferred Shares.

On February 24, 2014, the Company completed a public offering of 2,600,000 shares of Series B Cumulative Redeemable Perpetual Preferred Shares, par value $0.01 per share, at $25.00 per share and with liquidation preference at $25.0 per share. The net proceeds from the offering (after the underwriting discount and other offering expenses payable by the Company) were $62,698 and the excess of the par value is included in "Additional paid-in capital".

Holders of series B preferred shares have no voting rights other than the ability, subject to certain exceptions, to elect one director if dividends for six quarterly dividend periods (whether or not consecutive) are in arrears and certain other limited protective voting rights. Also, holders of series B preferred shares, rank prior to the holders of common shares with respect to dividends, distributions and payments upon liquidation. As at December 31, 2016 and 2015, the Company had 2,600,000 of Series B Preferred Shares issued and outstanding and none issued and outstanding of Series A Preferred Shares.

Dividends on the Series B preferred shares are cumulative from the date of original issue and are payable on the 15th day of January, April, July and October of each year at the dividend rate of 8.875% per annum, or $2.21875 per share per annum. For 2016, 2015, and 2014, dividends on Series B preferred shares amounted to $5,769, $5,769, and $5,080, respectively. At any time on or after February 14, 2019, the Company may redeem, in whole or in part, the series B preferred shares at a redemption price of $25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared.

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

(c) ***Incentive plan***: In November 2014, the Company's board of directors approved to adopt the 2014 Equity Incentive Plan, for 5,000,000 shares, of which as at December 31, 2016 4,234,759 remained reserved for issuance.

Restricted stock during 2016, 2015 and 2014 is analysed as follows:

	Number of Shares	Weighted Average Grant Date Price
Outstanding at December 31, 2013	1,358,373	$ 10.25
Granted	1,864,000	9.38
Vested	(730,539)	11.25
Outstanding at December 31, 2014	2,491,834	$ 9.30
Granted	1,100,000	6.91
Vested	(827,522)	9.57
Outstanding at December 31, 2015	2,764,312	$ 8.27
Granted	2,150,000	2.26
Vested	(971,646)	8.67
Outstanding at December 31, 2016	3,942,666	$ 4.89

The fair value of the restricted shares has been determined with reference to the closing price of the Company's stock on the date the agreements were signed. The aggregate compensation cost is being recognized ratably in the consolidated statement of operations over the respective vesting periods. For 2016, 2015, and 2014, an amount of $8,313, $8,279, and $7,744, respectively, was recognized in "General and administrative expenses" presented in the accompanying consolidated statements of operations.

At December 31, 2016 and 2015, the total unrecognized cost relating to restricted share awards was $13,567 and $17,021, respectively. At December 31, 2016, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 1.28 years.

(d) ***Share Repurchase Agreement:*** On May 22, 2014, the Company's Board of Directors authorized a share repurchase plan for up to $100,000 worth of shares of the Company's common stock. During 2014, the Company repurchased and retired 2,845,549 shares at an aggregate cost of approximately $25,349; during 2015, the Company repurchased and retired 413,804 shares at an aggregate cost of approximately $2,673 and none during 2016.

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

11. Interest and Finance Costs

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

	2016	2015	2014
Interest expense	$ 19,523	$ 13,922	$ 7,815
Amortization of financing costs	1,503	1,364	519
Commitment fees and other costs	923	269	93
Total	$ 21,949	$ 15,555	$ 8,427

Total interest incurred on long-term debt for 2016, 2015 and 2014 amounted to $21,009, $14,622, and $8,221, respectively, of which $1,486, $700, and $406, respectively, were capitalized and included in "Advances for vessels under construction and acquisitions and other vessel costs".

12. Loss per Share

All common shares issued (including the restricted shares issued under the Company's Incentive Plans) are the Company's common stock and have equal rights to vote and participate in dividends upon their vesting. The calculation of basic earnings/(loss) per share does not treat the non-vested shares (not considered participating securities) as outstanding until the time/service-based vesting restriction has lapsed. For the purpose of calculating diluted earnings per share the weighted average number of diluted shares outstanding includes the incremental shares assumed issued determined in accordance with the treasury stock method. For 2016, 2015 and 2014 and on the basis that the Company incurred losses, the effect of incremental shares would be anti-dilutive and therefore basic and diluted loss per share was the same.

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

	2016	2015	2014
Net loss	$ (164,237)	$ (64,713)	$ (10,268)
Less dividends on series B preferred shares	$ (5,769)	$ (5,769)	$ (5,080)
Net loss attributed to common stockholders	(170,006)	(70,482)	(15,348)
Weighted average number of common shares, basic and diluted	80,441,517	79,518,009	81,292,290
Loss per share, basic and diluted	$ (2.11)	$ (0.89)	$ (0.19)

13. Income Taxes

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

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

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

The Company and each of its subsidiaries expects to qualify for this statutory tax exemption for the 2016, 2015 and 2014 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 2016, 2015 and 2014, the Company would be subject to U.S. federal income tax of approximately $80, $166 and $246, respectively, in the absence of an exemption under Section 883.

14. Financial Instruments and Fair Value Disclosures

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair values of long-term bank loans approximate the recorded values, due to their variable interest rates. The fair value of long-term loan receivable from Diana Containerships also approximates its recorded value, due to its variable interest rate. The fair value of the Senior Unsecured Notes (Note 8) having a fixed interest rate amounted to $52,169 as of December 31, 2016, and was determined through the Level 1 input of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements based on the quoted price of the instrument on that date as stated under the ticker Symbol "DSXN" on the NYSE.

The Company is exposed to interest rate fluctuations associated with its variable rate borrowings and its objective is to manage the impact of such fluctuations on earnings and cash flows of its borrowings. In May 2009 the Company entered into a five-year zero cost collar agreement (novated in March 2012), with a floor at 1% and a cap at 7.8% of a notional amount of $100,000 to manage its exposure to interest rate changes related to its borrowings. The collar agreement, which matured on May 27, 2014, was used as an economic hedge agreement and did not meet the criteria for hedge accounting; therefore, the changes in its fair value were recognized in earnings. During 2014, the Company incurred gain of $68, separately presented as "Gain from derivative instruments" in the related accompanying consolidated statement of operations. Currently the company does not have any derivative instruments to manage such fluctuations.

15. Subsequent Events

(a) ***Series B Preferred Stock Dividends:*** On January 15, 2017, the Company paid a dividend on its series B preferred stock, amounting to $0.5546875 per share, or $1,442, to its stockholders of record as of January 14, 2017.

(b) ***Delivery of vessels and Loan Drawdown***: On January 4, 2017 the Company took delivery of Hulls H2548, named *San Francisco*, and H2549, named *Newport News*, (Note 5) and drew down $28,620 for each vessel under its loan agreement with the Export-Import Bank of China (Note 8). On February 6, 2017, the Company signed with the bank a Deed of Release, pursuant to which, the owner of Hull DY6006 is released from all of its obligations under the loan agreement as a borrower as a result of the cancellation of its shipbuilding contract with the yards (Note 5).

(c) ***Annual Incentive Bonus:*** On February 10, 2017 the Company's Board of Directors approved to grand 1,310,000 shares of restricted common stock awards to executive management and non-executive directors, pursuant to the Company's 2014 equity incentive plan. The fair value of the restricted shares based on the closing price on the date of the Board of Directors' approval was about $5,175 and will be recognized in income ratably over the restricted shares vesting period which will be 3 years.

Exhibit 4.26

Dated 29 March 2016

KABEN SHIPPING COMPANY INC. and
TAROA SHIPPING COMPANY INC.
as joint and several Borrowers

and

THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1
as Lenders

and

ABN AMRO BANK N.V.
as Swap Bank

and

ABN AMRO BANK N.V.
as Agent, Arranger and Security Trustee

LOAN AGREEMENT

relating to a senior secured term loan facility of US$25,755,000 to finance part
of the acquisition cost of two dry bulk carriers
named respectively "INFINITY9" and "SELINA"

Index

Clause Page

THIS AGREEMENT is made on 29 March 2016

PARTIES

(1) **KABEN SHIPPING COMPANY INC. and TAROA SHIPPING COMPANY INC.,** as joint and several **Borrowers**;

(2) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as **Lenders**;

(3) **ABN AMRO BANK N.V.**, as **Swap Bank**;

(4) **ABN AMRO BANK N.V.**, as **Agent**;

(5) **ABN AMRO BANK N.V.**, as **Arranger**; **and**

(6) **ABN AMRO BANK N.V.**, as **Security Trustee.**

BACKGROUND

(A) The Lenders have agreed to make available to the Borrowers a senior secured term loan facility in an amount of $25,755,000, in a single advance, for the purpose of financing part of the acquisition cost of two dry bulk carriers named respectively "INFINITY9" and "SELINA".

(B) The Swap Bank has agreed to enter into interest rate swap transactions with the Borrowers from time to time to hedge the Borrowers' exposure under this Agreement to interest rate fluctuations.

(C) The Lenders and the Swap Bank have agreed to share pari passu in the security to be granted to the Security Trustee pursuant to this Agreement.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions

Subject to Clause 1.5, in this Agreement:

"**Account Pledge**" means, in relation to each Earnings Account and the Excess Cash Account a pledge agreement creating security in respect of that Account in the Agreed Form and, in the plural, means both of them;

"**Accounts**" means, together, the Earnings Accounts and the Excess Cash Account and, in the singular, means any of them;

"**Affected Lender**" has the meaning given in Clause 5.7;

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company;

"**Agency and Trust Agreement**" means the agency and trust agreement dated the same date as this Agreement and made between the same parties;

"**Agent**" means ABN AMRO Bank NN., acting in such capacity through its office at Coolsingel 93, 3012 AE Rotterdam, The Netherlands, or any successor of it appointed under clause 5 of the Agency and Trust Agreement;

"**Agreed Form**" means in relation to any document, that document in the form approved in writing by the Agent or as otherwise approved in accordance with any other approval procedure specified in any relevant provisions of any Finance Document;

"**Annex VI**" means Annex VI (Regulations for the Prevention of Air Pollution from Ships) to the International Convention for the Prevention of Pollution from Ships 1973 (as modified in 1978 and 1997);

"**Approved Broker**" means any of Arrow Sale & Purchase (UK) Limited, Breamar Seascope Ltd, H. Clarkson & Co. Ltd., Fearnleys AS, Maersk Brokers K/S, B.S. Platou Shipbrokers AS and Simpson Spence & Young (London) Ltd. (including their successors or assigns and such Subsidiary or other company in the same corporate group through which valuations are commonly issued by each of those brokers) or any other reputable sale and purchase broker approved and appointed by the Agent;

"**Approved Flag**" means the Marshall Islands flag or any other flag which the Agent may, with the authorisation of the Majority Lenders, approve as the flag on which a Ship may be registered;

"**Approved Flag State**" means the Republic of the Marshall Islands or any other state in which the Agent may, in its absolute discretion, at the request of the Borrowers, approve that a Ship be registered;

"**Approved Manager**" means, in relation to the commercial and technical management of each Ship, Diana Shipping Services S.A., a company incorporated and existing under the laws of Panama having its registered office at Edificio Universal, Piso 12, Avenida Federico Boyd, Panama, Republic of Panama and maintaining an office at 16 Pendelis Street, 175 64, Palaio Faliro, Greece or any other company which the Agent may, with the authorisation of the Majority Lenders, approve from time to time as the technical and/or commercial manager of each Ship;

"**Approved Manager's Undertaking**" means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Security Trustee in the Agreed Form agreeing certain matters in relation to the management of that Ship and subordinating its rights against that Ship and the Borrower which is the owner thereof to the rights of the Creditor Parties under the Finance Documents and, in the plural, means both of them;

"**Arranger**" means ABN AMRO Bank NN., acting in such capacity through its office at Coolsingel 93, 3012 AE Rotterdam, The Netherlands, or any successor;

"**Availability Period**" means the period commencing on the date of this Agreement and ending on:

(a) 30 March 2016 (or such later date as the Agent may, with the authorisation of the Majority Lenders, agree with the Borrowers); or

(b) if earlier, the date on which the Total Commitments are fully borrowed, cancelled or terminated;

"**Bail-In Action**" means the exercise of any Write-down and Conversion Powers;

"**Bail-In Legislation**" means:

(a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant

implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and

(b) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation;

"**Balloon Instalment**" has the meaning given in Clause 8.1(b);

"**Basel III**" means:

(a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated; and

(b) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III";

"**Borrower**" means each of Borrower A and Borrower B and, in the plural, means, all of them;

"**Borrower A**" means Kaben Shipping Company Inc., a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, The Marshall Islands;

"**Borrower B**" means Taroa Shipping Company Inc., a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, The Marshall Islands;

"**Business Day**" means a day on which banks are open in London, Athens, Rotterdam and, in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

"**Change of Control**" means any change in the direct legal ownership of either Borrower from that disclosed to the Agent in writing on or before the date of this Agreement;

"**Charterparty**" means, in relation to each Ship, any charter or other contract of employment or any consecutive voyage charter or contract of affreightment in respect of that Ship of a duration (or capable of having or exceeding a duration) of 12 months or more and, in the plural, means all of them;

"**Charterparty Assignment**" means, in relation to each Charterparty, a specific deed of assignment of the rights, title and interests of the Borrower who is a party to that Charterparty in respect of that Charterparty in the Agreed Form;

"**Code**" means the US Internal Revenue Code of 1986;

"**Commitment**" means, in relation to a Lender, the amount set opposite its name in Schedule 1, or, as the case may require, the amount specified in the relevant Transfer Certificate, as that amount may be reduced, cancelled or terminated in accordance with this Agreement (and "Total Commitments" means the aggregate of the Commitments of all the Lenders);

"**Compliance Certificate**" means a certificate in the form set out in the Schedule to the Corporate Guarantee (or in any other form which the Agent may approve or require);

"**Confidential Information**" means all information relating to the Loan, any Borrower, any Security Party, any member of the Group or the Finance Documents of which the Creditor Parties becomes aware in its capacity as Creditor Party or which is received by the Creditor Parties in relation to the Finance Documents from any member of the Group or any of its advisers in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(a) is or becomes public information other than as a direct or indirect result of any breach by a Creditor Party of Clause 31; or

(b) is identified in writing at the time of delivery as non-confidential by any member of the Group or Security Party or any of its advisers; or

(c) is known by the Creditor Parties before the date the information is disclosed to it or is lawfully obtained by the Creditor Parties after that date, from a source which is, as far as the Creditor Parties are aware, unconnected with the Group and which, in either case, as far as the Lender is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality;

"**Confirmation**" and "**Early Termination Date**"**,** in relation to any continuing Designated Transaction, have the meanings given in the Master Agreement;

"**Contractual Currency**" has the meaning given in Clause 21.5;

"**Contribution**" means, in relation to a Lender, the part of the Loan which is owing to that Lender;

"**Corporate Guarantee**" means a corporate guarantee of the obligations of the Borrowers under this Agreement, the Master Agreement and the other Finance Documents, executed or (as the context may require) to be executed by the Corporate Guarantor in the Agreed Form;

"**Corporate Guarantor**" means Diana Shipping Inc., a corporation domesticated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, The Marshall Islands;

"**Corresponding Debt**" means any amount which a Borrower and/or the Corporate Guarantor owes to a Creditor Party under or in connection with the Finance Documents;

"**CRD IV**" means Directive 2013/36/EU of the European Union on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Union on prudential requirements for credit institutions and investment firms;

"**Creditor Party**" means the Agent, the Security Trustee, the Arranger, the Swap Bank or any Lender, whether as at the date of this Agreement or at any later time;

"**Designated Transaction**" means a Transaction which fulfils the following requirements:

(a) it is entered into by the Borrowers pursuant to the Master Agreement with the Swap Bank which, at the time the Transaction is entered into, is also a Lender;

(b) its purpose is the hedging of all or part of the Borrowers' exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the Final Repayment Date; and

(c) it is designated by the Borrowers, by delivery by the Borrowers to the Agent of a notice of designation in the form set out in Schedule 5, as a Designated Transaction for the purposes of the Finance Documents;

"**Dollars**" and "**$**" means the lawful currency for the time being of the US;

"**Drawdown Date**" means the date requested by the Borrowers for the Loan to be advanced, or (as the context requires) the date on which the Loan is actually advanced;

"**Drawdown Notice**" means a notice in the form set out in Schedule 2 (or in any other form which the Agent approves or reasonably requires);

"**Earnings**" means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the relevant Borrower owning that Ship or the Security Trustee and which arise out of the use or operation of that Ship, including (but not limited to):

(a) except to the extent that they fall within paragraph (b);

(i) all freight, hire and passage moneys;

(ii) compensation payable to a Borrower or the Security Trustee in the event of requisition of a Ship for hire;

(iii) remuneration for salvage and towage services;

(iv) demurrage and detention moneys;

(v) damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of a Ship; and

(vi) all moneys which are at any time payable under any Insurances in respect of loss of hire; and

(b) if and whenever a Ship is employed on terms whereby any moneys falling within paragraphs (a)(i) to (vi) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Ship;

"**Earnings Account**" means, in relation to each Ship, an account in the name of the Borrower owning that Ship with the Agent in Rotterdam designated *"[name of relevant Borrowed*-Earnings Account", or any other account (with that or another office of the Agent or with a bank or financial institution other than the Agent) which is designated by the Agent as the Earnings Account in respect of that Ship for the purposes of this Agreement, and, in the plural, means both of them;

"**EEA Member Country**" means any member state of the European Union, Iceland, Liechtenstein and Norway;

"**Environmental Claim**" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"**Environmental Incident**" means:

(a) any release of Environmentally Sensitive Material from the Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Ship and/or the Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where any Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"**Environmental Law**" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"**Environmentally Sensitive Material**" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"**EU Bail-In Legislation Schedule**" means the document described as such and published by the Loan Market Association (or any successor person) from time to time;

"**Event of Default**" means any of the events or circumstances described in Clause 19.1;

"**Excess Cash Account**" means an account in the joint names of the Borrowers with the Agent in Rotterdam designated "Kaben Shipping Company and Taroa Shipping Company Inc. - Excess Cash Account", or any other account (with that or another office of the Agent or with a bank or financial institution other than the Agent) which is designated by the Agent as the Excess Cash Account for the purposes of this Agreement, and, in the plural, means both of them;

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the IRS, the US government or any governmental or taxation authority in any other jurisdiction;

"**FATCA Deduction**" means a deduction or withholding from a payment under any Finance Document required by or under FATCA;

"**FATCA Exempt Party**" means a party to a Finance Document that is entitled under FATCA to receive payments free from any FATCA Deduction;

"**Final Repayment Date**" means 30 June 2019;

"**Finance Documents**" means:

(a) this Agreement;

(b) the Agency and Trust Agreement;

(c) the Master Agreement;

(d) the Master Agreement Assignment;

(e) the Corporate Guarantee;

(f) the General Assignments;

(g) the Mortgages;

(h) the Account Pledges;

(i) the Shares Pledges;

(j) the Initial Charter Assignment;

(k) the Approved Manager's Undertakings;

(l) any Charterparty Assignment; and

(m) any other document (whether creating a Security Interest or not) which is executed at any time by any Borrower, the Corporate Guarantor, the Approved Manager or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders and/or the Swap Bank under this Agreement or any of the other documents referred to in this definition;

"**Financial Indebtedness**" means, in relation to a person (the "**debtor**"), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility or dematerialised equivalent made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within paragraphs (a) to (e) if the references to the debtor referred to the other person;

"**Financial Year**" means, in relation to the Corporate Guarantor, each period of 1 year commencing on 1 January in respect of which its annual audited accounts are or ought to be prepared;

"**Fleet Vessels**" means all of the vessels (including, but not limited to, the Ships) from time to time wholly owned by members of the Group (each a "**Fleet Vessel**");

"**GAAP**" means, at any time, the most recent and updated generally accepted accounting principles in the US;

"**General Assignment**" means, in relation to each Ship, a first priority general assignment of the Earnings, the Insurances and any Requisition Compensation in relation to that Ship in the Agreed Form and, in the plural, means both of them;

"**Group**" means the Corporate Guarantor and all its subsidiaries (including, but not limited to, the Borrowers) from time to time during the Security Period and "**member of the Group**" shall be construed accordingly;

"**Holding Company**" means, in relation to a person, any other person in respect of which it is a Subsidiary;

"**IACS**" means the International Association of Classification Societies;

"**IAPPC**" means a valid international air pollution prevention certificate issued under Annex VI;

"**Insurances**" means, in relation to a Ship:

(a) all policies and contracts of insurance, including entries of the Ship in any protection and indemnity or war risks association, effected in respect of the Ship, its Earnings or otherwise in relation to the Ship whether before, on or after the date of this Agreement; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium and any rights in respect of any claim whether or not the relevant policy, contract of insurance or entry has expired on or before the date of this Agreement;

"**Interest Period**" means a period determined in accordance with Clause 6; "**IRS**" means the US Internal Revenue Service;

"**ISM Code**" means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time (and the terms "**safety management system**", "**Safety Management Certificate**" and "**Document of Compliance**" have the same meanings as are given to them in the ISM Code);

"**ISPS Code**" means the International Ship and Port Facility Security Code as adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time;

"**ISSC**" means a valid and current International Ship Security Certificate issued under the ISPS Code;

"**Lender**" means a bank or financial institution listed in Schedule 1 and acting through its branch indicated in Schedule 1 (or through another branch notified to the Agent under Clause 26.14) or its transferee, successor or assign and, in the plural, means all of them;

"**LIBOR**" means, for an Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on the Screen Rate; or

(b) if no rate is quoted on the Screen Rate, the rate per annum determined by the Agent to be the rate per annum notified to the Agent by the Reference Bank as the rate at which deposits in Dollars are offered to the Reference Bank by leading banks in the London Interbank Market at the Reference Bank's request at or about 11.00 a.m. (London time) on the Quotation Date for that Interest Period for a period equal to that Interest Period and for delivery on the first Business Day of it,

and, if any such rate is below zero, LIBOR shall be deemed to be zero;

"**Loan**" means the principal amount for the time being outstanding under this Agreement;

"**Major Casualty**" means, in relation to a Ship, any casualty to that Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $1,000,000 or the equivalent in any other currency;

"**Majority Lenders**" means:

(a) before the Loan has been advanced, Lenders whose Commitments total 66.66 per cent. of the Total Commitments; and

(b) after the Loan has been advanced, Lenders whose Contributions total 66.66 per cent. of the Loan;

"**Margin**" means 3 per cent. per annum;

"**Market Value**" means, in relation to each Ship (and each other Fleet Vessel), the market value thereof determined in accordance with Clause 15.3;

"**Master Agreement**" means the master agreement (on the 2002 ISDA Master Agreement form) in the Agreed Form made or to be made between the Borrowers and the Swap Bank and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged under the master agreement;

"**Master Agreement Assignment**" means the assignment of the Master Agreement in the Agreed Form;

"**Material Adverse Effect**" means in the reasonable opinion of the Majority Lenders a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of the Borrowers (or any of them) and/or any of the Security Parties and/or the Group; or

(b) the ability of a Borrower or a Security Party to perform its obligations under the Finance Documents; or

(c) the validity or enforceability of, or the effectiveness or ranking of any Security Interest granted or purported to be granted pursuant to any of, the Finance Documents or the rights or remedies of any Creditor Party under any of the Finance Documents;

"**Minimum Liquidity Amount**" has the meaning given in Clause 11.17;

"**Mortgage**" means, in relation to a Ship, the first preferred or, as the case may be, priority ship mortgage (and, if applicable, a deed of covenant collateral thereto) on that Ship in the Agreed Form and, in the plural, means both of them;

"**Negotiation Period**" has the meaning given in Clause 5.10;

"**Notifying Lender**" has the meaning given in Clause 23.1 or Clause 24.1 as the context requires;

"**Operating Expenses**" means, in respect of each Ship, the aggregate expenditure necessarily incurred by each Borrower in operating, insuring, maintaining, repairing the Ship owned by it (including, but not limited to, any expenses in respect of dry-docking, special survey and general and administrative expenses paid in respect of each Ship, any anticipated voyage expenses, as well as any other capitalised expenses as same are defined as per GAAP);

"**Parallel Debt**" means any amount which a Borrower owes to the Security Trustee under Clause 3.7;

"**Participating Member State**" means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union;

"**PATRIOT Act**" means the United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Improvement and Reauthorization Act of 2005 (H.R. 3199);

"**Payment Currency**" has the meaning given in Clause 21.5;

"**Permitted Security Interests**" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 30 days overdue (unless the overdue amount is being contested by the relevant Borrower in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 14.13(g);

(f) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where the Borrower is actively prosecuting or defending such proceedings or arbitration in good faith;

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made; and

(h) a right of pledge (and set-off) under and pursuant to the general conditions of ABN AMRO Bank N.V.;

"**Pertinent Document**" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 13 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to a Servicing Bank in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"**Pertinent Jurisdiction**", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company has the centre of its main interests or in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a branch or permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company, whether as main or territorial or ancillary proceedings, or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c);

"**Pertinent Matter**" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"**Potential Event of Default**" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Majority Lenders and/or the satisfaction of any other condition, would constitute an Event of Default;

"**Quotation Date**" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document, the day which is 2 Business Days before the first day of that Interest Period or any other period, unless market practice differs in the London Interbank Market for a currency, in which case the Quotation Date will be determined by the Agent in accordance with market practice in the London Interbank Market (and if quotations would normally be given by leading banks in the London Interbank Market on more than one day, the Quotation Date will be the last of those days);

"**Reference Bank**" means, subject to Clause 26.16, the branch of ABN AMRO Bank N.V. at Coolsingel 93, 3012 AE Rotterdam, The Netherlands or any other bank or financial institution selected by the Agent;

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund;

"**Relevant Person**" has the meaning given in Clause 19.9;

"**Repayment Date**" means a date on which a repayment is required to be made under Clause 8;

"**Repayment Instalment**" has the meaning given in Clause 8.1(a);

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian;

"**Requisition Compensation**" includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "**Total Loss**";

"**Restricted Person**" means a person that is (i) listed on, or owned or controlled by a person listed on, any Sanctions List; (ii) located in, incorporated under the laws of, or owned or controlled by, or acting on behalf of, a person located in or organised under the laws of a country or territory that is the target of country-wide Sanctions (including, without limitation, at the date of this Agreement Cuba, Iran, Myanmar (Burma), North Korea, Syria and Sudan); or (iii) otherwise a target of Sanctions;

"**Resolution Authority**" means any body which has authority to exercise any Write-down and Conversion Powers;

"**Sanctions**" means any economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by: (i) the US government; (ii) the United Nations; (iii) the European Union or its Member States; (iv) any country to which any Borrower, the Corporate Guarantor or any other Security Party, or any other member of the Group or any Affiliate of any of them is bound; or (v) the respective governmental institutions and agencies of any of the foregoing, including without limitation, the Office of Foreign Assets Control of the US Department of Treasury (OFAC), the US Department of State and Her Majesty's Treasury (HMT) (together "**Sanctions Authorities**");

"**Sanctions List**" means the "Specially Designated Nationals and Blocked Persons" list issued by OFAC, the "Consolidated List of Financial Sanctions Targets and Investment Ban List"

issued by HMT, or any similar list issued or maintained or made public by any of the Sanctions Authorities;

"**Screen Rate**" means the London interbank offered rate administered by the ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for Dollars for the relevant period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters. If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Borrowers and the Lenders;

"**Secured Liabilities**" means all liabilities which the Borrowers and the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or any judgment relating to any Finance Document; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"**Security Interest**" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action *in rem*; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"**Security Party**" means the Corporate Guarantor, the Approved Manager and any other person (except a Creditor Party) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "**Finance Documents**";

"**Security Period**" means the period commencing on the date of this Agreement and ending on the date on which the Agent notifies the Borrowers, the Security Parties and the other Creditor Parties that:

(a) all amounts which have become due for payment by the Borrowers or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) none of the Borrowers nor any Security Party has any future or contingent liability under Clauses 20, 21 or 22 or any other provision of this Agreement or another Finance Document; and

(d) the Agent, the Security Trustee, the Arranger, the Swap Bank and the Majority Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of a Borrower or a Security Party or in any present or possible future proceeding relating to a Finance

Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

"**Security Trustee**" means ABN AMRO Bank N.V., acting in such capacity through its office at Coolsingel 93, 3012 AE Rotterdam, The Netherlands, or any successor of it appointed under clause 5 of the Agency and Trust Agreement;

"**Servicing Bank**" means the Agent or the Security Trustee;

"**Shares Pledge**" means, in relation to each Borrower, a deed executed by the Corporate Guarantor creating security over the share capital of that Borrower in the Agreed Form and, in the plural, means both of them;

"**Ship A**" means the 2010-built [bulk carrier] vessel of approximately [●] deadweight tonnage registered in the ownership of Borrower A under the Marshall Islands flag under IMO No. [●] with the name "SELINA";

"**Ship B**" means the 2013-built [bulk carrier] vessel of approximately [●] deadweight tonnage registered in the ownership of Borrower B under the Marshall Islands flag under IMO No. [●] with the name "INFINITY9" (tbr: "ISMENE");

"**Ships**" means, together, Ship A and Ship B and, in the singular, means either of them;

"**SMC**" means a safety management certificate issued in respect of each Ship in accordance with Rule 13 of the ISM Code;

"**Subsidiary**" means a subsidiary within the meaning of section 1159 of the Companies Act 2006;

"**Swap Bank**" means ABN AMRO Bank N.V., acting in such capacity through its office at Gustav Mahrerlaan 10, NL-1082 PP, Amsterdam, The Netherlands, or its successor or assign;

"**Swap Exposure**" means, as at any relevant date, the amount certified by the Swap Bank to the Agent to be the aggregate net amount in Dollars which would be payable by the Borrowers to the Swap Bank under (and calculated in accordance with) section 6(e)(i) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Designated Transactions;

"**Total Loss**" means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of the Ship;

(b) any expropriation, confiscation, requisition or acquisition of the Ship, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension) unless it is within 1 month redelivered to the full control of the Borrower owning that Ship;

(c) any condemnation of the Ship by any tribunal or by any person or person claiming to be a tribunal; and

(d) any arrest, capture, seizure or detention of the Ship (including any hijacking or theft) unless it is within 1 month redelivered to the full control of the Borrower owning the Ship;

"**Total Loss Date**" means, in relation to a Ship:

(a) in the case of an actual loss of the Ship, the date on which it occurred or, if that is unknown, the date when the Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of the Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower owning the Ship with the Ship's insurers in which the insurers agree to treat the Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Agent that the event constituting the total loss occurred;

"**Transaction**" has the meaning given in the Master Agreement;

"**Transfer Certificate**" has the meaning given in Clause 26.2;

"**Trust Property**" has the meaning given in clause 3.1 of the Agency and Trust Agreement;

"**US**" means the United States of America; and

"**Write-down and Conversion Powers**" means:

(a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and

(b) in relation to any other applicable Bail-In Legislation:

(i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

(ii) any similar or analogous powers under that Bail-In Legislation.

1.2 Construction of certain terms

In this Agreement:

"**administration notice**" means a notice appointing an administrator, a notice of intended appointment and any other notice which is required by law (generally or in the case concerned) to be filed with the court or given to a person prior to, or in connection with, the appointment of an administrator;

"**affiliate**" means, in relation to any person, a subsidiary of that person or a parent company of that person or any other subsidiary's that parent company;

"**approved**" means, for the purposes of Clause 13, approved in writing by the Agent;

"**asset**" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"**company**" includes any partnership, joint venture and unincorporated association;

"**consent**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"**contingent liability**" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"**document**" includes a deed; also a letter or fax;

"**excess risks**" means, in relation to a Ship, the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"**expense**" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"**law**" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"**legal or administrative action**" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"**liability**" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"**months**" shall be construed in accordance with Clause 1.3;

"**obligatory insurances**" means, in relation to a Ship, all insurances effected, or which the Borrower owning that Ship is obliged to effect, under Clause 13 or any other provision of this Agreement or another Finance Document;

"**person**" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"**policy**"**,** in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"**protection and indemnity risks**" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hulls) (1/11/95) or clause 8 of the Institute Time Clauses (Hulls) (1/10/83) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

"**successor**" includes any person who is entitled (by assignment, novation, merger or otherwise) to any person's rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to

exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

"**tax**" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"**war risks**" includes the risk of mines, blocking and trapping, terrorism, piracy and confiscation and all other risks excluded by clause 29, 30 and 31 of the International Hull Clauses (1/11/02 or 1/11/03), clause 24, 25 and 26 of the Institute Time Clauses (Hulls)(1/11/95) or clause 23 of the Institute Time Clauses (Hulls) (1/10/83).

1.3 Meaning of "month"

A period of one or more "**months**" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started ("**the numerically corresponding day**"), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,

and "**month**" and "**monthly**" shall be construed accordingly.

1.4 General Interpretation

In this Agreement:

(a) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(b) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(c) words denoting the singular number shall include the plural and vice versa;

(d) a Potential Event of Default is "continuing" if it has not been remedied or waived and an Event of Default is "continuing" if it has not been waived; and

(e) Clauses 1.1 to 1.4 apply unless the contrary intention appears.

1.5 Headings

In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

2 FACILITY

2.1 Amount of facility

Subject to the other provisions of this Agreement, the Lenders shall make available to the Borrowers, in a single advance, a senior secured term loan facility in an amount of $25,755,000 for the purpose of financing part of the acquisition cost of the Ships.

2.2 Lenders' participations in Loan

Subject to the other provisions of this Agreement, each Lender shall participate in the Loan in the proportion which, as at the Drawdown Date, its Commitment bears to the Total Commitments.

2.3 Purpose of Loan

The Borrowers undertake with each Creditor Party to use the Loan only for the purpose stated in the preamble to this Agreement.

3 POSITION OF THE LENDERS, THE SWAP BANK AND THE MAJORITY LENDERS

3.1 Interests of Lenders and Swap Bank several

The rights of the Lenders and the Swap Bank under this Agreement and the Master Agreement are several; accordingly:

(a) each Lender shall be entitled to sue for any amount which has become due and payable by the Borrowers to it under this Agreement; and

(b) the Swap Bank shall be entitled to sue for any amount which has become due and payable by the Borrowers to it under the Master Agreement,

without joining the Agent, the Security Trustee, any other Lender and the Swap Bank as additional parties in the proceedings.

3.2 Proceedings by individual Lender or Swap Bank

However, without the prior consent of the Majority Lenders, no Lender nor the Swap Bank may bring proceedings in respect of:

(a) any other liability or obligation of a Borrower or a Security Party under or connected with a Finance Document; or

(b) any misrepresentation or breach of warranty by a Borrower or a Security Party in or connected with a Finance Document.

3.3 Obligations several

The obligations of the Lenders and the Swap Bank under this Agreement and of the Swap Bank under the Master Agreement are several; and a failure of a Lender or the Swap Bank to perform its obligations under this Agreement or of the Swap Bank to perform its obligations under the Master Agreement shall not result in:

(a) the obligations of the other Lenders or (as the case may be) the Swap Bank being increased; nor

(b) any Borrower, any Security Party or any other Creditor Party being discharged (in whole or in part) from its obligations under any Finance Document,

and in no circumstances shall a Lender or the Swap Bank have any responsibility for a failure of another Lender or the Swap Bank to perform its obligations under this Agreement or the Master Agreement.

3.4 Parties bound by certain actions of Majority Lenders

Every Lender, the Swap Bank, each Borrower and each Security Party shall be bound by:

(a) any determination made, or action taken, by the Majority Lenders under any provision of a Finance Document;

(b) any instruction or authorisation given by the Majority Lenders to the Agent or the Security Trustee under or in connection with any Finance Document (subject always to Clause 27.2); and

(c) any action taken (or in good faith purportedly taken) by the Agent or the Security Trustee in accordance with such an instruction or authorisation.

3.5 Reliance on action of Agent

However, each Borrower and each Security Party:

(a) shall be entitled to assume that the Majority Lenders have duly given any instruction or authorisation which, under any provision of a Finance Document, is required in relation to any action which the Agent has taken or is about to take; and

(b) shall not be entitled to require any evidence that such an instruction or authorisation has been given.

3.6 Construction

In Clauses 3.4 and 3.5 references to action taken include (without limitation) the granting of any waiver or consent, an approval of any document and an agreement to any matter.

3.7 Parallel debt

(a) Each Borrower irrevocably and unconditionally undertakes to pay to the Security Trustee amounts equal to, and in the currency or currencies of, the Corresponding Debt.

(b) The Parallel Debt:

(i) shall become due and payable at the same time as the Corresponding Debt;

(ii) is independent and separate from, and without prejudice to, the Corresponding Debt.

(c) For the purposes of this Clause, the Security Trustee:

(i) is the independent and separate creditor of the Parallel Debt;

(ii) acts in its own name and not as agent, representative or trustee of the Creditor Parties and its claims in respect of the Parallel Debt shall not be held on trust; and

(iii) shall have the independent and separate right to demand payment of any or all the Parallel Debt in its own name (including, without limitation, through any suit, execution, enforcement of security, recovery of guarantees and applications for and voting in any kind of insolvency proceeding).

(d) The Parallel Debt shall be (a) decreased to the extent that the Corresponding Debt has been irrevocably and unconditionally paid or discharged and (b) increased to the extent that the Corresponding Debt has increased, and the Corresponding Debt shall be (x) decreased to the extent that the Parallel Debt has been irrevocably and unconditionally paid or discharged and (y) increased to the extent that the Parallel Debt has increased, in each case provided that the Parallel Debt shall never exceed the Corresponding Debt.

(e) All amounts received or recovered by the Security Trustee in connection with this Clause, to the extent permitted by applicable law, shall be applied in accordance with Clause 17 (Application of receipts).

3.8 Lender incorporated or having its registered office in the Federal Republic of Germany

On any matter referred to in Clause 11.19 in respect of which the Lenders are to vote but in respect of which a Lender incorporated or having its registered office in the Federal Republic of Germany to whom Clause 11.19(d) applies shall not vote in accordance with such paragraph:

(a) for the purposes of determining whether approval of the Majority Lenders is obtained the references in the definition of "Majority Lenders" to 66.66 per cent. of the Total Commitments and to 66.66 per cent. of the Loan shall for this purpose be construed to refer to 66.66 per cent. of the Total Commitments or, as the case may be, the Loan only taking account of the other Commitments of, or as the case may be, the participation in the Loan of, the Lenders and ignoring the Commitment of or, as the case may be, the participation in the Loan of, the Lender incorporated or having its registered office in the Federal Republic of Germany; and an action taken by the Majority Lenders as such definition is modified by this paragraph (a) shall be valid in the applicable circumstances and binding all parties; and

(b) for the purposes of determining whether the approval of all Lenders is obtained, all Lenders shall be construed to mean the other Lenders ignoring the Lender incorporated or having its registered office in the Federal Republic of Germany and an action taken by all Lenders as modified by this paragraph (b) shall be valid in the applicable circumstances and binding on all the parties of this Agreement.

4 DRAWDOWN

4.1 Request for the Loan

Subject to the following conditions, the Borrowers may request the Loan to be advanced by ensuring that the Agent receives a completed Drawdown Notice not later than 11.00 a.m. (Rotterdam time) 3 Business Days (or such shorter period as the Agent may, in its absolute discretion, agree) prior to the intended Drawdown Date.

4.2 Availability

The conditions referred to in Clause 4.1 are that:

(a) the Drawdown Date has to be a Business Day during the Availability Period;

(b) the amount of the Loan shall not exceed the amount of $25,755,000; and

(c) the Loan shall be applied in financing part of the acquisition cost of the Ships.

4.3 Notification to Lenders of receipt of a Drawdown Notice

The Agent shall promptly notify the Lenders that it has received a Drawdown Notice and shall inform each Lender of:

(a) the amount of the Loan and the Drawdown Date;

(b) the amount of that Lender's participation in the Loan; and

(c) the duration of the first Interest Period.

4.4 Drawdown Notice irrevocable

A Drawdown Notice must be signed by a director or an authorised representative of each Borrower; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Agent, acting on the authority of the Majority Lenders.

4.5 Lenders to make available Contributions

Subject to the provisions of this Agreement, each Lender shall, on and with value on the Drawdown Date, make available to the Agent for the account of the Borrowers the amount due from that Lender on the Drawdown Date under Clause 2.2.

4.6 Disbursement of Loan

Subject to the provisions of this Agreement, the Agent shall on the Drawdown Date pay to the Borrowers the amounts which the Agent receives from the Lenders under Clause 4.5; and that payment to the Borrowers shall be made:

(a) to the account which the Borrowers specify in the Drawdown Notice; and

(b) in the like funds as the Agent received the payments from the Lenders.

4.7 Disbursement of Loan to third party

The payment by the Agent under Clause 4.6 shall constitute the making of the Loan and the Borrowers shall at that time become indebted, as principal and direct obligors, to each Lender in an amount equal to that Lender's Contribution.

5 INTEREST

5.1 Payment of normal interest

Subject to the provisions of this Agreement, interest on the Loan in respect of each Interest Period applicable thereto shall be paid by the Borrowers on the last day of that Interest Period.

5.2 Normal rate of interest

Subject to the provisions of this Agreement, the rate of interest on the Loan in respect of an Interest Period shall be the aggregate of (i) the Margin and (ii) LIBOR for that Interest Period.

5.3 Payment of accrued interest

In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

5.4 Notification of Interest Periods and rates of normal interest

The Agent shall notify the Borrowers and each Lender of:

(a) each rate of interest; and

(b) the duration of each Interest Period

as soon as reasonably practicable after each is determined.

5.5 Obligation of Reference Bank to quote

The Reference Bank which is a Lender shall use all reasonable efforts to supply the quotation required of it for the purposes of fixing a rate of interest under this Agreement.

5.6 Absence of quotations by Reference Bank

If the Reference Bank fails to supply a quotation, the relevant rate of interest shall be set in accordance with the following provisions of this Clause 5.

5.7 Market disruption

The following provisions of this Clause 5 apply if:

(a) no screen rate is quoted in the Screen Rate and the Reference Bank does not, before 1.00 p.m. (London time) on the Quotation Date, provide quotations to the Agent in order to fix LIBOR; or

(b) at least 1 Business Day before the start of an Interest Period, Lenders having Contributions together amounting to 50 per cent. or more of the Loan (or, if the Loan has not been made, Commitments amounting to 50 per cent. or more of the Total Commitments) notify the Agent that LIBOR fixed by the Agent would not accurately reflect the cost to those Lenders of funding their respective Contributions (or any part of them) during the Interest Period in the London Interbank Market at or about 11.00 a.m. (London time) on the Quotation Date for the Interest Period; or

(c) at least 1 Business Day before the start of an Interest Period, the Agent is notified by a Lender (the **"Affected Lender"**) that for any reason it is unable to obtain Dollars in the London Interbank Market in order to fund its Contribution (or any part of it) during the Interest Period.

5.8 Notification of market disruption

The Agent shall promptly notify the Borrowers and each of the Lenders and the Swap Bank stating the circumstances falling within Clause 5.7 which have caused its notice to be given.

5.9 Suspension of drawdown

If the Agent's notice under Clause 5.8 is served before the Loan is advanced:

(a) in a case falling within Clauses 5.7(a) or 5.7(b), the Lenders' obligations to advance the Loan; and

(b) in a case falling within Clause 5.7(c), the Affected Lender's obligation to participate in the Loan, shall be suspended while the circumstances referred to in the Agent's notice continue.

5.10 Negotiation of alternative rate of interest

If the Agent's notice under Clause 5.8 is served after the Loan is borrowed, the Borrowers, the Agent, the Lenders or (as the case may be) the Affected Lender and the Swap Bank shall use reasonable endeavours to agree, within 30 days after the date on which the Agent serves its notice under Clause 5.8 (the **"Negotiation Period"**), an alternative interest rate or

(as the case may be) an alternative basis for the Lenders or (as the case may be) the Affected Lender to fund or continue to fund their or its Contribution during the Interest Period concerned.

5.11 Application of agreed alternative rate of interest

Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

5.12 Alternative rate of interest in absence of agreement

If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Agent shall, with the agreement of each Lender or (as the case may be) the Affected Lender, set an interest period and interest rate representing the cost of funding of the Lenders or (as the case may be) the Affected Lender in Dollars or in any available currency of their or its Contribution plus the Margin; and the procedure provided for by this Clause 5.12 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Agent.

5.13 Notice of prepayment

If the Borrowers do not agree with an interest rate set by the Agent under Clause 5.12, the Borrowers may give the Agent not less than 15 Business Days' notice of their intention to prepay the Loan at the end of the interest period set by the Agent.

5.14 Prepayment; termination of Commitments

A notice under Clause 5.13 shall be irrevocable; the Agent shall promptly notify the Lenders or (as the case may require) the Affected Lender of the Borrowers' notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Total Commitments or (as the case may require) the Commitment of the Affected Lender shall be cancelled; and

(b) on the last Business Day of the interest period set by the Agent, the Borrowers shall prepay (without premium or penalty) the Loan or, as the case may be, the Affected Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

5.15 Application of prepayment

The provisions of Clause 8 shall apply in relation to the prepayment.

6 INTEREST PERIODS

6.1 Commencement of Interest Periods

The first Interest Period applicable to the Loan shall commence on the Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

6.2 Duration of normal Interest Periods

Subject to Clauses 6.3 and 6.4, each Interest Period shall be:

(a) 1, 3, 6 or 9 months as notified by the Borrowers to the Agent not later than 11.00 a.m. (Rotterdam time) 3 Business Days before the commencement of the Interest Period

Provided that the Borrowers may not select a 1-month Interest Period more than 4 times per calendar year; or

(b) 3 months, if the Borrowers fail to notify the Agent by the time specified in paragraph (a); or

(c) such other period as the Agent may, with the authorisation of all the Lenders, agree with the Borrowers.

6.3 Duration of Interest Periods for Repayment Instalments

In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

6.4 Non-availability of matching deposits for Interest Period selected

If, after the Borrowers have selected and the Lenders have agreed an Interest Period longer than 3 months, any Lender notifies the Agent by 11.00 a.m. (London time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 3 months.

7 DEFAULT INTEREST

7.1 Payment of default interest on overdue amounts

The Borrowers shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by the Borrowers under any Finance Document which the Agent, the Security Trustee or the other designated payee does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents (or any of them) provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 19.4, the date on which it became immediately due and payable.

7.2 Default rate of interest

Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 7.3(a) and 7.3(b); or

(b) in the case of any other overdue amount, the rate set out at Clause 7.3(b).

7.3 Calculation of default rate of interest

The rates referred to in Clause 7.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period applicable to it); and

(b) the aggregate of the Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Agent may select from time to time:

(i) LIBOR; or

(ii) if the Agent (after consultation with the Reference Bank) determines that Dollar deposits for any such period are not being made available to the Reference Bank by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Agent by reference to the cost of funds to the Reference Bank from such other sources as the Agent (after consultation with the Reference Bank) may from time to time determine.

7.4 Notification of interest periods and default rates

The Agent shall promptly notify the Lenders and the Borrowers of each interest rate determined by the Agent under Clause 7.3 and of each period selected by the Agent for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Agent's notification.

7.5 Payment of accrued default interest

Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined; and the payment shall be made to the Agent for the account of the Creditor Party to which the overdue amount is due.

7.6 Compounding of default interest

Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

7.7 Application to Master Agreement

For the avoidance of doubt, this Clause 7 does not apply to any amount payable under the Master Agreement in respect of any continuing Designated Transaction as to which section 2(e) (Default Interest and Compensation) of the Master Agreement shall apply.

8 REPAYMENT AND PREPAYMENT

8.1 Amount of Repayment Instalments

The Borrowers shall repay the Loan by:

(a) 8 equal consecutive three-monthly instalments (the **"Repayment Instalments"** and each a **"Repayment Instalment"**) in the amount of $855,000 each; and

(b) a balloon instalment in the amount of $18,915,000 (the **"Balloon Instalment"**)

Provided that if the maximum amount of the Loan is not drawn down hereunder each Repayment Instalment and the Balloon Instalment shall be reduced pro rata by an amount in aggregate equal to the undrawn balance.

8.2 Repayment Dates

The first Repayment Instalment shall be repaid on 30 September 2017, each subsequent Repayment Instalment shall be repaid at three-monthly intervals thereafter and the last

Repayment Instalment shall be repaid, together with the Balloon Instalment, not later than the Final Repayment Date.

8.3 Final Repayment Date

On the Final Repayment Date, the Borrowers shall additionally pay to the Agent for the account of the Creditor Parties all other sums then accrued or owing under any Finance Document.

8.4 Voluntary prepayment

Subject to the following conditions, the Borrowers may prepay the whole or any part of the Loan on the last day of an Interest Period.

8.5 Conditions for voluntary prepayment

The conditions referred to in Clause 8.4 are that:

(a) a partial prepayment shall be $500,000 or a higher integral multiple of $500,000;

(b) the Agent has received from the Borrowers at least 5 Business Days prior written notice specifying the amount to be prepaid, the date on which the prepayment is to be made and the manner of application of such prepayment;

(c) the Borrowers have provided evidence satisfactory to the Agent that any consent required by any Borrower or any Security Party in connection with the prepayment has been obtained and remains in force, and that any requirement relevant to this Agreement which affects any Borrower or any Security Party has been complied with; and

(d) the Borrowers have complied with Clause 8.12 on or prior to the date of prepayment.

8.6 Effect of notice of prepayment

A prepayment notice may not be withdrawn or amended without the consent of the Agent, given with the authorisation of the Majority Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

8.7 Notification of notice of prepayment

The Agent shall notify the Lenders promptly upon receiving a prepayment notice, and shall provide any Lender which so requests with a copy of any document delivered by the Borrowers under Clause 8.5(c).

8.8 Mandatory prepayment

The Borrowers shall be obliged to prepay the Relevant Amount if:

(a) a Ship is sold or becomes a Total Loss:

(i) in the case of a sale, on or before the date on which the Mortgage on that Ship is released; or

(ii) in the case of a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss; or

(b) without the prior written consent of the Agent (to be given on the instructions of the Majority Lenders) there is a Change of Control, on the date on which the Change of Control occurred.

In this Clause 8.8:

"Applicable Percentage" means for the period commencing:

(a) on the Drawdown Date and ending on 31 December 2018, 100 per cent; and

(b) 1 January 2019 and at all times thereafter, 110 per cent.

"**Relevant Amount**" means:

(a) in the case of the sale or Total Loss of a Ship, an amount which, after the application of the prepayment to be made pursuant to Clause 8.8(a), results in the security cover ratio set out in Clause 15.1 being at least equal to the greater of (i) the Applicable Percentage and (ii) the percentage which applied immediately prior to the sale or Total Loss; and

(b) in the case of a Change of Control, the Loan and all other amounts then outstanding under the Finance Documents in full.

8.9 Amounts payable on prepayment

A prepayment shall be made together with accrued interest (and any other amount payable under Clause 21 or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 21.1(b) but without premium or penalty.

8.10 Application of partial prepayment

Each partial prepayment made pursuant to:

(a) Clause 8.4, shall be applied in the manner specified by the Borrowers in the notice referred to in Clause 8.5(b);

(b) Clauses 8.8, 8.12, 15.2, 23.3 or 24.5, shall be applied pro rata against the then outstanding Repayment Instalments and the Balloon Instalment; and

(c) Clause 8.13, 50 per cent of the Excess Cash Flow shall be applied against the Balloon Instalment and the remaining 50 per cent shall be applied against the then outstanding Repayment Instalments on a pro rata basis.

8.11 No reborrowing

No amount prepaid or repaid may be reborrowed.

8.12 Unwinding of Designated Transactions

On or prior to any repayment or prepayment of all or any part of the Loan under this Clause 8 or any other provision of this Agreement, the Borrowers shall wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions so that the notional principal 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 thereafter pursuant to Clause 8.1.

8.13 Prepayment out of Excess Earnings

If, in respect of each Cash Sweep Period the Agent determines on the basis of the Excess Cash Flow Notice that the aggregate of the Earnings of the Ships exceeds the aggregate of:

(a) the aggregate of the Operating Expenses in respect of the Ships during such Cash Sweep Period; and

(b) the sums incurred by the Borrowers in respect of the payment of principal of, and accrued interest on, the Loan pursuant to this Agreement and any sums paid by the Borrowers pursuant to the Master Agreement, during such Cash Sweep Period,

the Borrowers shall by not later than 3 days' pay such excess amount as evidenced in the relevant Excess Cash Flow Notice (the "**Excess Cash Flow**") to the Excess Cash Account for application towards the Loan in accordance with paragraph (iii) of Clause 8.10 of this Agreement on the Repayment Date falling due after receipt of the relevant Excess Cash Flow Notice (and the Borrowers hereby irrevocably and unconditionally authorise the Agent to make such prepayment).

In this Clause 8.13:

"**Cash Sweep Period**" means, in relation to each Ship, each three-Month period commencing on the Drawdown Date during the period commencing on the Drawdown Date and ending on the date on which the aggregate amount deposited in the Excess Cash Account (including, for the avoidance of doubt, any amount already prepaid against the Loan out of the Excess Cash Account) is not less $3,200,000. The Borrowers may, at their option, top up the amount held or, as the case may be, to be held in the Excess Cash Account by making one or more voluntary prepayment(s) pursuant to Clause 8.4.

"**Excess Cash Flow Date**" means the last day of each Cash Sweep Period; and

"**Excess Cash Flow Notice**" means a certificate to be provided by the Borrowers to the Agent within 5 days from each Excess Cash Flow Date evidencing the Excess Cash Flow available on such date.

9 CONDITIONS PRECEDENT

9.1 Documents, fees and no default

Each Lender's obligation to contribute to the Loan is subject to the following conditions precedent:

(a) that, on or before the service of the Drawdown Notice, the Agent receives:

(i) the documents described in Part A of Schedule 3 in form and substance satisfactory to the Agent and its lawyers; and

(ii) payment of any expenses pursuant to Clause 20.2;

(b) that, on the Drawdown Date but prior to the making of the Loan, the Agent receives or is satisfied that it will receive on the making of the Loan:

(i) the documents described in Part B of Schedule 3 in form and substance satisfactory to the Agent and its lawyers;

(ii) payment of the arrangement fee pursuant to Clause 20.1(a) and all accrued commitment fee pursuant to Clause 20.1(b); and

(iii) payment of any expenses pursuant to Clause 20.2;

(c) that both at the date of the Drawdown Notice and at the Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred or would result from the borrowing of the Loan;

(ii) the representations and warranties in Clause 10.1 and those of any Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing;

(iii) none of the circumstances contemplated by Clause 5.7 has occurred and is continuing; and

(iv) there has been no Material Adverse Effect;

(d) that, if the ratio set out in Clause 15.1 were applied immediately following the making of the Loan, the Borrowers would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(e) that the Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Agent may, with the authorisation of the Majority Lenders, request by notice to the Borrowers prior to the Drawdown Date.

9.2 Waiver of conditions precedent

If the Majority Lenders, at their discretion, permit the Loan to be borrowed before certain of the conditions referred to in Clause 9.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 5 Business Days after the Drawdown Date (or such longer period as the Agent may, with the authorisation of the Majority Lenders, specify).

10 REPRESENTATIONS AND WARRANTIES

10.1 General

Each Borrower represents and warrants to each Creditor Party as follows.

10.2 Status

Each Borrower is duly incorporated and validly existing and in good standing under the laws of the Marshall Islands.

10.3 Shares capital and ownership

Each Borrower is authorised to issue Five hundred (500) registered shares with par value of $0,01 each and the legal title and beneficial ownership of all those shares is held, free of any Security Interest or other claim, by the Corporate Guarantor.

10.4 Corporate power

Each Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to carry out its business carried on or to be carried on by it and own its assets owned or to be owned by it;

(b) to register permanently the Ship owned by it in its name under an Approved Flag;

(c) to execute the Finance Documents to which that Borrower is a party; and

(d) to borrow under this Agreement, to enter into Designated Transactions under the Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which it is a party.

10.5 Consents in force

All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

10.6 Legal validity; pari passu ranking; admissibility in evidence; effective Security Interests

The Finance Documents to which each Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) are in full force and effect;

(b) rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law;

(c) constitute that Borrower's legal, valid and binding obligations enforceable against that Borrower in accordance with their respective terms; and

(d) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate, subject to any relevant insolvency laws affecting creditors' rights generally.

10.7 No third party Security Interests

Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Finance Document to which a Borrower is a party:

(a) each Borrower which is a party to that Finance Document will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

10.8 No conflicts

The execution by each Borrower of each Finance Document to which it is a party, and the borrowing by that Borrower of the Loan, and its compliance with each Finance Document to which it is a party will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of that Borrower; or

(c) any contractual or other obligation or restriction which is binding on that Borrower or any of its assets.

10.9 No withholding taxes; stamp duty

All payments which each Borrower is liable to make under the Finance Documents to which it is a party may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction. No Finance Document is subject to any filing or stamp duty in any Pertinent Jurisdiction.

10.10 No default

No Event of Default or Potential Event of Default has occurred.

10.11 Information

All information which has been provided in writing by or on behalf of the Borrowers or any Security Party to any Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 11.7; and there has been no Material Adverse Effect.

10.12 No litigation

No legal or administrative action involving any Borrower (including action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to any Borrower's knowledge, is likely to be commenced or taken.

10.13 Compliance with certain undertakings

At the date of this Agreement, the Borrowers are in compliance with Clauses 11.2, 11.4, 11.9, 11.13, 13, 14.3 and 14.10.

10.14 Taxes paid

Each Borrower has paid all taxes applicable to, or imposed on or **in** relation to that Borrower, its business or the Ship owned by it.

10.15 ISM Code and ISPS Code compliance

All requirements of the ISM Code and the ISPS Code as they relate to the Borrowers, the Approved Manager and the Ships have been complied with.

10.16 No money laundering; anti-bribery

(a) Without prejudice to the generality of Clause 2.3, in relation to the borrowing by the Borrowers of the Loan, the performance and discharge of their obligations and liabilities under the Finance Documents, and the transactions and other arrangements affected or contemplated by the Finance Documents to which a Borrower is a party, the Borrowers confirm (i) that they are acting for their own account; (ii) that they will use the proceeds of the Loan for their own benefit, under their full responsibility and exclusively for the purposes specified in this Agreement; and (iii) that the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council).

(b) The Borrowers will promptly inform the Agent by written notice, if they are not or cease to be the beneficiary and will provide in writing the name and address of the beneficiary.

(c) The Agent shall promptly notify the Lenders of any written notice it receives under this Clause 10.17.

10.17 No immunity

None of the Borrowers, nor any of their assets are entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (including, without limitation, suit attachment prior to judgement, execution or other enforcement).

10.18 Title and ownership

Each Borrower has good title to each of the assets owned or purported to be owned by it.

10.19 Pari passu ranking

The obligations of each Borrower under the Finance Documents to which it is a party rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

10.20 PATRIOT Act

To the extent applicable, each Borrower is in compliance with (i) the Trading with the Enemy Act, and each of the foreign assets control regulations of the US Treasury Department (31 C.F.R., Subtitle B, Chapter V) and any other enabling legislation or executive order relating thereto and (ii) the PATRIOT Act. No part of the proceeds of the Loan will be used, directly or indirectly, for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

10.21 Repetition

The representations and warranties set out in:

(a) Clause 10 shall be deemed to be repeated by the Borrowers:

(i) on the date of service of the Drawdown Notice;

(ii) on the Drawdown Date; and

(b) Clauses 10.2, 10.3, 10.4, 10.6, 10.7, 10.14, 10.17, and 10.20 on the first day of each Interest Period,

as if made with reference to the facts and circumstances existing on each such day.

11 GENERAL UNDERTAKINGS

11.1 General

Each Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit in writing.

11.2 Title; negative pledge and pari passu ranking

Each Borrower will:

(a) hold the legal title to, and own the entire beneficial interest in the Ship owned by it, her Insurances and her Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents and the effect of

assignments contained in the Finance Documents and except for Permitted Security Interests;

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future (including, but not limited to, that Borrower's rights against the Swap Bank under the Master Agreement or all or any part of that Borrower's interest in any amount payable to that Borrower by the Swap Bank under the Master Agreement); and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

11.3 No disposal of assets

No Borrower will transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not nor acquire any new assets other than the Ship; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation, but paragraph (a) does not apply to any charter of a Ship as to which Clause 14.13 applies.

11.4 No other liabilities or obligations to be incurred

No Borrower will incur any Financial Indebtedness, liability or obligation (including, without limitation, to the Corporate Guarantor or any other member of the Group) except:

(a) liabilities and obligations under the Finance Documents to which it is a party;

(b) liabilities or obligations reasonably incurred in the ordinary course of owning, operating and chartering the Ship; and

(c) in respect of the Designated Transactions.

11.5 Information provided to be accurate

All financial and other information which is provided in writing by or on behalf of a Borrower under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

11.6 Provision of financial statements

Each Borrower will send or procure that are sent to the Agent:

(a) as soon as possible, but in no event later than 180 days after the end of each Financial Year of the Corporate Guarantor the audited annual consolidated financial statements of the Group for that Financial Year of the Corporate Guarantor (commencing with the financial statements for the year that ended on 31 December 2015);

(b) as soon as available, but in no event later than 120 days after the end of the 6-month period ending on 30 June and 31 December in each Financial Year of the Corporate Guarantor, the unaudited semi-annual consolidated financial statements of the Group (in the form published in the relevant press release) for that 6-month period (commencing with the financial statements for the 6-month period ending on 30 June 2016) certified as to their correctness by the chief financial officer of the Corporate Guarantor; and

(c) promptly after each request by the Agent, such further information regarding the financial condition, business and operations of the Borrowers, the Ships, the Security Parties and the Group as the Agent may reasonably require.

11.7 Form of financial statements

All accounts (audited and unaudited) delivered under Clause 11.6 will:

(a) be prepared in accordance with all applicable laws and GAAP consistently applied;

(b) give a true and fair view of the state of affairs of the Group at the date of those accounts and of its profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Group.

11.8 Shareholder and creditor notices

Each Borrower will send to the Agent, at the same time as they are despatched, copies of all communications which are despatched to that Borrower's shareholders or creditors or any class of them.

11.9 Consents and compliance with laws

Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Agent of, all consents required:

(a) for that Borrower to perform its obligations under any Finance Document to which it is a party;

(b) for the validity or enforceability of any Finance Document to which it is a party;

(c) for that Borrower to continue to own and operate the Ship owned by it; and

(d) (without prejudice to its other obligations under the Finance Documents), for that Borrower to comply in all respects, with all laws and regulations to which it may be subject including, without limitation, all Environmental Laws and all intellectual property laws, and that Borrower will comply with the terms of all such consents.

11.10 Maintenance of Security Interests

Each Borrower will:

(a) at its own cost, do all that is necessary to ensure that any Finance Document to which it is a party validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a), at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Majority Lenders, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

11.11 Notification of litigation

Each Borrower will provide the Agent with details of any legal or administrative action involving that Borrower, any Security Party, the Approved Manager or the Ship owned by it, the Earnings or the Insurances as soon as such action is instituted or it becomes apparent to that Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

11.12 No amendment to Master Agreement

No Borrower will agree to any amendment or supplement to, or waive or fail to enforce, the Master Agreement or any of its provisions.

11.13 Principal place of business

No Borrower will establish, or do anything as a result of which it would be deemed to have, a place of business in England or the United States of America.

11.14 Confirmation of no default

Each Borrower will, within 2 Business Days after service by the Agent of a written request, serve on the Agent a notice which is signed by an officer of that Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

The Agent may serve requests under this Clause 11.14 from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10 per cent. of the Loan or (if the Loan has not been made) Commitments exceeding 10 per cent of the Total Commitments; and this Clause 11.14 does not affect the Borrowers' obligations under Clause 11.15.

11.15 Notification of default

Each Borrower will notify the Agent as soon as that Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred, and will keep the Agent fully up to date with all developments.

11.16 Provision of further information

Each Borrower will, as soon as practicable after receiving the request, provide the Agent with any additional financial or other information relating:

(a) to the Borrowers, the Group, the Corporate Guarantor, any other Security Party, the Ships, the other Fleet Vessels, their Insurances or their Earnings (including, but not limited to, any sales or purchases of any Fleet Vessels, the incurrence of Financial Indebtedness by members of the Group and details of the employment of the Fleet Vessels); or

(b) to any other matter relevant to, or to any provision of, a Finance Document,

which may reasonably be requested by the Agent, the Security Trustee, the Swap Bank or any Lender at any time.

11.17 Minimum liquidity

Each Borrower shall maintain in its Earnings Account as from the Drawdown Date and at all times thereafter a credit balance of not less than $400,000 (the "**Minimum Liquidity Amount**").

11.18 Provision of copies and translation of documents

Each Borrower will supply the Agent with a sufficient number of copies of the documents referred to above to provide 1 copy for each Creditor Party; and if the Agent so requires in respect of any of those documents, the Borrowers will provide a certified English translation prepared by a translator approved by the Agent.

11.19 Sanctions and compliance with laws

(a) Compliance with laws Each Borrower shall, and shall procure that each other Borrower, each Security Party and each other member of the Group and each Affiliate of any of them shall, comply in all respect with all Sanctions.

(b) Sanctions

(i) Each Borrower undertakes that it, and shall procure that each other Borrower, each Security Party and any other member of the Group or any Affiliate of any of them, or any director, officer, agent, employee or person acting on behalf of the foregoing, is not a Restricted Person and does not act directly or indirectly on behalf of a Restricted Person;

(ii) Each Borrower shall, and shall procure that each other Borrower, each Security Party and any other member of the Group and each Affiliate of any of them shall, not use any revenue or benefit derived from any activity or dealing with a Restricted Person in discharging any obligation due or owing to the Creditor Parties;

(iii) Each Borrower shall, and shall procure that each other Borrower and each Security Party shall, procure that no proceeds from any activity or dealing with a Restricted Person are credited to any bank account held with any Creditor Party in its name or in the name of any other Borrower or any Security Party or any other member of the Group or any Affiliate of any of them;

(iv) Each Borrower undertakes that it, and shall procure that each other Borrower and each Security Party and each other member of the Group and each Affiliate of any of them, has taken reasonable measures to ensure compliance with Sanctions;

(v) Each Borrower shall, and shall procure that each other Borrower, each Security Party and each other member of the Group shall, to the extent permitted by law promptly upon becoming aware of them supply to the Agent details of any claim, action, suit, proceedings or investigation against it with respect to Sanctions by any Sanctions Authority; and

(vi) Each Borrower shall not, and shall procure that no other Borrower and no Security Party shall, accept, obtain or receive any goods or services from any Restricted Person, except (without limiting Clause 11.19(a) (Compliance with laws)), to the extent relating to any warranties and/or guarantees given and/or liabilities incurred

in respect of an activity or dealing with a Restricted Person by any Security Party in accordance with this Agreement.

(c) Use of proceeds No Borrower shall, and shall procure that no other Borrower or Security Party or member of the Group and any Affiliate of any of them shall, permit or authorise any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Loan or other transactions contemplated by this Agreement to fund or facilitate trade, business or other activities: (a) involving or for the benefit of any Restricted Person; or (b) in any other manner that could result in any Security Party or a Creditor Party being in breach of any Sanctions or becoming a Restricted Person.

(d) Each party to this Agreement acknowledges and agrees that the Borrower does not undertake under paragraphs (a) to (c) (inclusive) above in favour of any Lender incorporated or having its registered office in the Federal Republic of Germany and no such Lender shall have any right thereunder and shall be deemed not to be a party to the provisions of this Clause 11.19.

11.20 "Know your customer" checks

If:

(a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(b) any change in the status of any Borrower or any Security Party after the date of this Agreement; or

(c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrowers shall promptly upon the request of the Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Agent, the Lender concerned or, in the case of the event described in paragraph (c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents, including without limitation obtaining, verifying and recording certain information and documentation that will allow the Agent and each of the Lenders to identify each Borrower and any Security Party in accordance with the requirements of the PATRIOT Act.

11.21 Ownership

Each Borrower shall procure that there is no change in the legal ownership of its shares throughout the Security Period.

11.22 Notification of non-compliance with financial covenants

If prior to the delivery of a Compliance Certificate by the Corporate Guarantor to the Agent, a Borrower becomes aware that the financial covenants set out in clause 12.3 of the Corporate Guarantee will not be complied with, the Borrowers (or any of them) shall promptly notify the Agent.

12 CORPORATE UNDERTAKINGS

12.1 General

Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit in writing.

12.2 Maintenance of status

Each Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Republic of the Marshall Islands.

12.3 Negative undertakings

No Borrower will:

(a) carry on any business other than the ownership, chartering and operation of the Ship owned by that Borrower; or

(b) pay any dividend or make any other form of distribution or effect any form of redemption, purchase or return of share capital:

(i) during the Cash Sweep Period; and/or

(ii) if an Event of Default has occurred and is continuing at any relevant time or an Event of Default would result from the payment of such dividend or the making of such distribution;

(c) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in that Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to that Borrower than those which it could obtain in a bargain made at arms' length; or

(d) open or maintain any account with any bank or financial institution except accounts with the Agent for the purposes of the Finance Documents; or

(e) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital; or

(f) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative other than the Designated Transactions; or

(g) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(h) change its constitutional documents; or

(i) acquire any vessel other than the Ship owned by it.

13 INSURANCE

13.1 General

Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 13 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

13.2 Maintenance of obligatory insurances

Each Borrower shall keep the Ship owned by it insured at the expense of that Borrower against:

(a) fire and usual marine risks (including increased value, hull and machinery and excess risks);

(b) war risks;

(c) protection and indemnity risks (including excess war risk P&I cover); and

(d) any other risks against which the Security Trustee considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Security Trustee be reasonable for that Borrower to insure and which are specified by the Security Trustee by notice to that Borrower.

13.3 Terms of obligatory insurances

Each Borrower shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) an amount which when aggregated with the insured value of the other Ships then subject to a Mortgage, 120 per cent of the aggregate of the Loan and the Swap Exposure (if any) and (ii) the Market Value of the Ship owned by it;

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks in respect of the full tonnage of the Ship;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

13.4 Further protections for the Creditor Parties

In addition to the terms set out in Clause 13.3, each Borrower shall procure that the obligatory insurances effected by it shall:

(a) subject always to paragraph (b), name that Borrower as the sole named assured unless the interest of every other named assured is limited:

(i) in respect of any obligatory insurances for hull and machinery and war risks:

(A) to any provable out-of-pocket expenses that it has incurred and which form part of any recoverable claim on underwriters; and

(B) to any third party liability claims where cover for such claims is provided by the policy (and then only in respect of discharge of any claims made against it); and

(ii) in respect of any obligatory insurances for protection and indemnity risks, to any recoveries it is entitled to make by way of reimbursement following discharge of any third party liability claims made specifically against it,

and every other named assured has undertaken in writing to the Security Trustee (in such form as it requires) that any deductible shall be apportioned between that Borrower and every other named assured in proportion to the gross claims made or paid by each of them and that it shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances;

(b) whenever the Security Trustee requires, name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(c) name the Security Trustee as loss payee with such directions for payment as the Security Trustee may specify;

(d) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made without set-off, counterclaim or deductions or condition whatsoever;

(e) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee or any other Creditor Party; and

(f) provide that the Security Trustee may make proof of loss if that Borrower fails to do so.

13.5 Renewal of obligatory insurances

Each Borrower shall:

(a) at least 21 days before the expiry of any obligatory insurance effected by it: notify the Security Trustee of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom that Borrower proposes to renew that obligatory insurance and of the proposed terms of renewal; and (ii)obtain the Security Trustee's approval to the matters referred to in paragraph (i);

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Security Trustee's approval pursuant to paragraph (a); and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.

13.6 Copies of policies; letters of undertaking

Each Borrower shall ensure that all approved brokers provide the Security Trustee with pro forma copies of all policies relating to the obligatory insurances which they are to effect or renew and of a letter or letters of undertaking in a form required by the Security Trustee and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 13.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;

(c) they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the Ship owned by that Borrower under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies, or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Security Trustee.

13.7 Copies of certificates of entry

Each Borrower shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by it is entered provides the Security Trustee with:

(a) a certified copy of the certificate of entry for that Ship owned by it;

(b) a letter or letters of undertaking in such form as may be required by the Security Trustee;

(c) where required to be issued under the terms of insurance/indemnity provided by a Borrower's protection and indemnity association, a certified copy of each US voyage quarterly declaration (or other similar document or documents) made by that Borrower in accordance with the requirements of such protections and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.

13.8 Deposit of original policies

Each Borrower shall ensure that all policies relating to obligatory insurances effected by it are deposited with the approved brokers through which the insurances are effected or renewed.

13.9 Payment of premiums

Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances effected by it and produce all relevant receipts when so required by the Security Trustee.

13.10 Guarantees

Each Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

13.11 Compliance with terms of insurances

No Borrower shall do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:

(a) each Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.6(c)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;

(b) no Borrower shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it approved by the underwriters of the obligatory insurances;

(c) each Borrower shall make (and promptly supply copies to the Agent of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the US and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) no Borrower shall employ the Ship owned by it, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

13.12 Alteration to terms of insurances

No Borrower shall make nor agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

13.13 Settlement of claims

No Borrower shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

13.14 Provision of copies of communications

Each Borrower shall provide the Security Trustee, at the time of each such communication, with copies of all written communications between a Borrower and:

(a) the approved brokers;

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) that Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) relating wholly or partly to the effecting or maintenance of the obligatory insurances; and

(iii) a claim under any obligatory insurances of the Ship owned by it.

13.15 Provision of information

In addition, each Borrower shall promptly provide the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 13.16 or dealing with or considering any matters relating to any such insurances, and the Borrowers shall, forthwith upon demand, indemnify the Security Trustee in respect of all fees and other expenses incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a).

13.16 Mortgagee's interest, marine insurance and additional perils insurance

The Security Trustee shall be entitled from time to time to effect, maintain and renew a mortgagee's interest marine insurance, and mortgagee's interest additional perils insurance in an amount not less than 120 per cent. of the Loan on such terms, through such insurers and generally in such manner as the Security Trustee may from time to time consider appropriate and each Borrower shall upon demand fully indemnify the Creditor Parties in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

13.17 Review of insurance requirements

The Security Trustee shall be entitled to review the requirements of this Clause 13 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Security Trustee, significant and capable of affecting the Borrowers, the Ships and their Insurances (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which each Borrower may be subject), and may appoint insurance consultants in relation to this review at the cost of the relevant Borrower.

13.18 Modification of insurance requirements

The Security Trustee shall notify the Borrowers of any proposed modification under Clause 13.17 to the requirements of this Clause 13 which the Security Trustee reasonably considers appropriate in the circumstances, and such modification shall take effect on and from the

date it is notified in writing to the relevant Borrower as an amendment to this Clause 13 and shall bind that Borrower accordingly.

13.19 Compliance with mortgagee's instructions

The Security Trustee shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Security Trustee until the Borrower owning that Ship implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 13.18.

14 SHIP COVENANTS

14.1 General

Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 14 at all times during the Security Period except as the Agent, with the authorisation of the Majority Lenders, may otherwise permit in writing (and in the case of Clause 14.13(e), such permission not to be unreasonably withheld).

14.2 Ship's name and registration

Each Borrower shall keep the Ship owned by it registered **in** its name under an Approved Flag; shall not do, omit to do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of the Ship owned by it.

14.3 Repair and classification

Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first class ship ownership and management practice;

(b) so as to maintain the highest class free of overdue recommendations and conditions with a classification society which is a member of IACS acceptable to the Agent (such acceptance not to be unreasonably withheld); and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the applicable Approved Flag State or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code and the ISPS Code.

14.4 Classification society undertaking

Each Borrower shall instruct the classification society referred to in Clause 14.3:

(a) to send to the Security Trustee, following receipt of a written request from the Security Trustee, certified true copies of all original class records held by the classification society in relation to its Ship;

(b) to allow the Security Trustee (or its agents), at any time and from time to time, to inspect the original class and related records of that Borrower and its Ship at the offices of the classification society and to take copies of them;

(c) to notify the Security Trustee immediately in writing if the classification society:

(i) receives notification from that Borrower or any other person that its Ship's classification society is to be changed; or

(ii) becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of that Ship's class under the rules or terms and conditions of that Borrower's or its Ship's membership of the classification society; and

(d) following receipt of a written request from the Security Trustee:

(i) to confirm that a Borrower is not in default of any of its contractual obligations or liabilities to the classification society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the classification society; or

(ii) if a Borrower is in default of any of its contractual obligations or liabilities to the classification society, to specify to the Security Trustee in reasonable detail the facts and circumstances of such default, the consequences of such default, and any remedy period agreed or allowed by the classification society.

14.5 Modification

No Borrower shall make any modification or repairs to, or replacement of, any Ship or equipment installed on it which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce its value.

14.6 Removal of parts

No Borrower shall remove any material part of any Ship, or any item of equipment installed on, any Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Security Trustee and becomes on installation on the relevant Ship the property of the relevant Borrower and subject to the security constituted by the relevant Mortgage **Provided that** a Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

14.7 Surveys

Each Borrower shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Security Trustee provide the Security Trustee, with copies of all survey reports.

14.8 Inspection

Each Borrower shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at the cost of the Borrowers no more than once in any calendar year to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections **Provided that** if an Event of Default occurs which is continuing the Security Trustee may, by surveyors or other persons appointed by it, board the Ship and carry out such inspection at all times as it deems fit at the Borrowers' cost.

14.9 Prevention of and release from arrest

Each Borrower shall promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, the Earnings or the Insurances;

(b) all taxes, dues and other amounts charged in respect of the Ship owned by it, the Earnings or the Insurances; and

(c) all other outgoings whatsoever in respect of the Ship owned by it, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of the Ship owned by it, or of its detention in exercise or purported exercise of any lien or claim, that Borrower shall procure its release by providing bail or otherwise as the circumstances may require.

14.10 Compliance with laws etc.

Each Borrower shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws, all Sanctions and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of that Borrower;

(b) not employ the Ship owned by it nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code, the ISPS Code and all Sanctions;

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by the Ship's war risks insurers unless the prior written consent of the Security Trustee has been given and that Borrower has (at its expense) effected any special, additional or modified insurance cover which the Security Trustee may require; and

(d) comply with the PATRIOT Act and the United States Foreign Corrupt Practices Act.

14.11 Provision of information

Each Borrower shall promptly provide the Security Trustee with any information which it requests regarding:

(a) the Ship owned by it, its employment, position and engagements;

(b) the Earnings and payments and amounts due to the master and crew of the Ship owned by it;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made in respect of that Ship;

(d) any towages and salvages; and

(e) its compliance, the Approved Manager's compliance and the compliance of the Ship owned by it with the ISM Code, the ISPS Code and Sanctions, and, upon the Security Trustee's request, provide copies of any current charter relating to the Ship owned by it , of any current charter guarantee and copies of that Borrower's or the Approved Manager's Document of Compliance.

14.12 Notification of certain events

Each Borrower shall immediately notify the Security Trustee by fax, confirmed forthwith, by letter of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of the Ship owned by it, any exercise or purported exercise of any lien on that Ship or its Earnings or any requisition of that Ship for hire;

(e) any intended dry docking of the Ship owned by it;

(f) any Environmental Claim made against that Borrower or in connection with the Ship owned by it, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against that Borrower, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with, and that Borrower shall keep the Security Trustee advised in writing on a regular basis and in such detail as the Security Trustee shall require of that Borrower's, the Approved Manager's or any other person's response to any of those events or matters.

14.13 Restrictions on chartering, appointment of managers etc.

No Borrower shall, in relation to the Ship owned by it:

(a) let that Ship on demise charter for any period;

(b) enter into any time or consecutive voyage charter in respect of that Ship for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months;

(c) enter into any charter in relation to that Ship under which more than 2 months' hire (or the equivalent) is payable in advance;

(d) charter that Ship otherwise than on bona fide arm's length terms at the time when that Ship is fixed;

(e) appoint a manager of that Ship other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de activate or lay up that Ship; or

(g) put that Ship into the possession of any person for the purpose of work being done upon it in an amount exceeding or likely to exceed 1,000,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or its Earnings for the cost of such work or for any other reason.

14.14 Notice of Mortgage

Each Borrower shall keep the relevant Mortgage registered against the Ship owned by it as a valid first priority or preferred mortgage, carry on board that Ship a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room

and the Master's cabin of that Ship a framed printed notice stating that that Ship is mortgaged by that Borrower to the Security Trustee.

14.15 Sharing of Earnings

No Borrower shall:

(a) enter into any agreement or arrangement for the sharing of any Earnings; or

(b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due, the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of a Borrower to any Earnings.

14.16 ISPS Code

Each Borrower shall comply with the ISPS Code and in particular, without limitation, shall:

(a) procure that the Ship owned by that Borrower and the company responsible for that Ship's compliance with the ISPS Code comply with the ISPS Code;

(b) maintain for that Ship an ISSC; and

(c) notify the Agent immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC.

14.17 Charterparty Assignment

If a Borrower enters into any Charterparty (subject to the Agent's approval pursuant to Clause 14.13), it shall, on the date of entry into such Charterparty, execute in favour of the Security Trustee (and register, if applicable) a Charterparty Assignment and shall:

(a) serve notice of the Charterparty Assignment on the relevant charterer procure that the charterer acknowledges such notice in such form as the Agent may approve or require; and

(b) deliver to the Agent such other documents equivalent to those referred to at paragraphs 3, 4 and 5 of Schedule 3, Part A as the Agent may require.

14.18 Responsible Ship Recycling

If a Ship is sold for scrapping, the Borrower owning that Ship shall ensure that that Ship shall be dismantled in a safe, sustainable and socially and environmentally responsible way.

15 SECURITY COVER

15.1 Minimum required security cover

Clause 15.2 applies if the Agent notifies the Borrowers that as of 1 January 2017 (inclusive) and at all times thereafter:

(a) the aggregate of the Market Value of the Ships; plus

(b) the net realisable value of any additional security previously provided under this Clause 15, is below the Relevant Percentage of the aggregate of (i) the Loan and (ii) any Swap Exposure. In this Clause 15,1 "**Relevant Percentage**" means:

(i) from 1 January 2017 up to and including 31 December 2017, 90 per. cent;

(ii) from 1 January 2018 up to and including 31 December 2018, 100 per. cent; and

(iii) from 1 January 2019 and at all times thereafter, 110 per. cent.

15.2 Provision of additional security; prepayment

If the Agent serves a notice on the Borrowers under Clause 15.1, the Borrowers shall prepay such part at least of the Loan as will eliminate the shortfall on or before the date falling 30 days after the date on which the Agent's notice is served under Clause 15.1 (the **"Prepayment Date"**) unless at least 1 Business Day before the Prepayment Date the Borrowers have provided, or ensured that a third party has provided, additional security which, in the opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and is documented in such terms as the Agent may, with the authorisation of the Majority Lenders, approve or require.

15.3 Valuation of Ships

The Market Value of a Ship (or any other Fleet Vessel) at any date during the Security Period is that shown by a valuation to be prepared:

(a) as at a date not more than 14 days previously;

(b) by an Approved Broker (selected by the Borrowers and approved by the Agent);

(c) addressed to the Agent;

(d) with or without physical inspection of the Ship (as the Agent may require);

(e) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

(f) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale,

Provided that the Agent shall have the right to appoint (at the Borrowers' expense) another Approved Broker to provide a second valuation of that Ship addressed to the Agent and prepared in accordance with the terms of this Agreement, in which case the Market Value of that Ship shall be the arithmetic average of the two valuations.

15.4 Value of additional vessel security

The net realisable value of any additional security which is provided under Clause 15.2 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 15.3.

15.5 Valuations binding

Any valuation under Clause 15.2, 15.3 or 15.4 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Majority Lenders make of any additional security which does not consist of or include a Security Interest.

15.6 Provision of information

The Borrowers shall promptly provide the Agent and any Approved Broker or expert acting under Clause 15.3 or 15.4 with any information which the Agent or the Approved Broker or expert may request for the purposes of the valuation; and, if the Borrowers fail to provide the information by the date specified in the request, the valuation may be made on any

basis and assumptions which the Approved Broker or the Majority Lenders (or the expert appointed by them) consider prudent.

15.7 Frequency of valuations

Each Borrower acknowledges and agrees that the Agent may commission valuation(s) of each Ship at such times as the Agent shall deem necessary.

15.8 Payment of valuation expenses

Without prejudice to the generality of the Borrowers' obligations under Clauses 20.2, 20.3 and 21.3, the Borrowers shall, on demand, pay the Agent the amount of the fees and expenses of any Approved Broker or expert instructed by the Agent under this Clause and all legal and other expenses incurred by any Creditor Party in connection with any matter arising out of this Clause **Provided that** so long as (i) no Event of Default has occurred and (ii) no mandatory prepayment is required to be made pursuant to Clause 8.8 (a), the Borrowers shall not be obliged to pay any such fees or expenses in respect of more than one valuation of each Ship (and, if required by the Agent pursuant to Clause 15.3, one additional valuation of such Ship) in any calendar year.

15.9 Application of prepayment

Clause 8.10(b) shall apply in relation to any prepayment pursuant to Clause 15.2.

16 PAYMENTS AND CALCULATIONS

16.1 Currency and method of payments

All payments to be made by the Lenders or by any Borrower under a Finance Document shall be made to the Agent or to the Security Trustee, in the case of an amount payable to it:

(a) by not later than 11.00 a.m. (New York City time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement);

(c) in the case of an amount payable by a Lender to the Agent or by any Borrower to the Agent or any Lender, to the account of the Agent with correspondent bank Bank of America Intl. New York (correspondent bank SWIFT: BOFAUS3N (SWIFT: ABNANL2A, beneficiary: ABN AMRO Bank N.V. Amsterdam and account number: [CJ) with reference "$25,755,000 facility re m.vs INFINITY9 and SELINA", or to such other account with such other bank as the Agent may from time to time notify to the Borrowers and the other Creditor Parties; and

(d) in the case of an amount payable to the Security Trustee, to such account as it may from time to time notify to the Borrowers and the other Creditor Parties.

16.2 Payment on non-Business Day

If any payment by any Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

16.3 Basis for calculation of periodic payments

All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

16.4 Distribution of payments to Creditor Parties

Subject to Clauses 16.5, 16.6 and 16.7:

(a) any amount received by the Agent under a Finance Document for distribution or remittance to a Lender, the Swap Bank or the Security Trustee shall be made available by the Agent to that Lender, the Swap Bank or, as the case may be, the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender, the Swap Bank or the Security Trustee may have notified to the Agent not less than 5 Business Days previously; and

(b) amounts to be applied in satisfying amounts of a particular category which are due to the Lenders and/or the Swap Bank generally shall be distributed by the Agent to each Lender and the Swap Bank pro rata to the amount in that category which is due to it.

16.5 Permitted deductions by Agent

Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent may, before making an amount available to a Lender or the Swap Bank, deduct and withhold from that amount any sum which is then due and payable to the Agent from that Lender or the Swap Bank under any Finance Document or any sum which the Agent is then entitled under any Finance Document to require that Lender or the Swap Bank to pay on demand.

16.6 Agent only obliged to pay when monies received

Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent shall not be obliged to make available to any Borrower or any Lender or the Swap Bank any sum which the Agent is expecting to receive for remittance or distribution to that Borrower or that Lender or the Swap Bank until the Agent has satisfied itself that it has received that sum.

16.7 Refund to Agent of monies not received

If and to the extent that the Agent makes available a sum to a Borrower or a Lender or the Swap Bank, without first having received that sum, that Borrower or (as the case may be) the Lender concerned or the Swap Bank shall, on demand:

(a) refund the sum in full to the Agent; and

(b) pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding or other loss, liability or expense incurred by the Agent as a result of making the sum available before receiving it.

16.8 Agent may assume receipt

Clause 16.7 shall not affect any claim which the Agent has under the law of restitution, and applies irrespective of whether the Agent had any form of notice that it had not received the sum which it made available.

16.9 Creditor Party accounts

Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

16.10 Agent's memorandum account

The Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Agent, the Security Trustee and each Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

16.11 Accounts prima facie evidence

If any accounts maintained under Clauses 16.9 and 16.10 show an amount to be owing by a Borrower or a Security Party to a Creditor Party, those accounts shall be prima facie evidence that that amount is owing to that Creditor Party.

17 APPLICATION OF RECEIPTS

17.1 Normal order of application

Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents in the following order and proportions:

(i) firstly, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by any Borrower under Clauses 20, 21 and 22 of this Agreement or by any Borrower or any Security Party under any corresponding or similar provision in any other Finance Document); secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents (and, for this purpose, the expression **"interest"** shall include any net amount which any Borrower shall have become liable to pay or deliver under section 2(e) (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Swap Bank at the time of application or distribution under this Clause 17); and (iii)thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure (in the case of the latter, calculated as at the actual Early Termination Date applying to each particular Designated Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

(b) SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document but which the Agent, by notice to any Borrower, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the provisions of Clause 17.1(a); and

(c) THIRDLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

17.2 Variation of order of application

The Agent may, with the authorisation of the Majority Lenders and the Swap Bank, by notice to the Borrowers, the Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 17.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

17.3 Notice of variation of order of application

The Agent may give notices under Clause 17.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

17.4 Appropriation rights overridden

This Clause 17 and any notice which the Agent gives under Clause 17.2 shall override any right of appropriation possessed, and any appropriation made, by any Borrower or any Security Party.

18 APPLICATION OF EARNINGS; SWAP PAYMENTS

18.1 Payment of Earnings

Each Borrower undertakes with each Creditor Party to ensure that, throughout the Security Period:

(a) (and subject only to the provisions of the General Assignments) all Earnings of the Ship owned by it are paid to the Earnings Account for that Ship; and

(b) all payments by the Swap Bank to the Borrowers under each Designated Transaction are paid to the Earnings Accounts (or any of them).

18.2 Location of accounts

Each Borrower shall promptly:

(a) comply with any requirement of the Agent as to the location or re-location of the Accounts (or any of them); and

(b) execute any documents which the Agent specifies to create or maintain in favour of the Security Trustee a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Accounts (or any of them).

18.3 Debits for expenses etc.

The Agent shall be entitled (but not obliged) from time to time to debit any Account without prior notice in order to discharge any amount due and payable under Clause 20 or 21 to a Creditor Party or payment of which any Creditor Party has become entitled to demand under Clause 20 or 21.

18.4 Borrowers' obligations unaffected

The provisions of this Clause 18 do not affect:

(a) the liability of the Borrowers to make payments of principal and interest on the due dates; or

(b) any other liability or obligation of the Borrowers or any Security Party under any Finance Document.

18.5 Earnings Accounts Balances

Subject to the other terms of this Agreement (including, without limitation, the terms of Clause 11.17 and this Clause 18), the monies on each Earnings Account (other than the Minimum Liquidity Amount) shall be freely available to the Borrowers to be used in accordance with and in compliance with the terms and conditions of this Agreement **Provided that** (a) the Cash Swap Period has expired in accordance with Clause 8.13 of this Agreement and/or (b) no Event of Default has occurred that is continuing at any relevant time.

19 EVENTS OF DEFAULT

19.1 Events of Default

An Event of Default occurs if:

(a) any Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document unless such failure is caused by an administrative or technical error or any other event which disrupts any applicable payment or communication system and is beyond the control of the Borrowers (or any of them) or any Security Party and in which case the payment is made within 3 Business Days of its due date; or

(b) any breach occurs of Clause 9.2, 10.16, 10.17, 10.21, 11.2, 11.3, 11.9, 11.17, 11.19, 12.2, 12.3, 13.2, 13.3, 14.2 or 15.2 of this Agreement or clause 12.3 of the Corporate Guarantee; or

(c) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b)) which, in the opinion of the Majority Lenders, is capable of remedy, and such default continues unremedied 10 days after written notice from the Agent requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in any Finance Document) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach falling within paragraphs (a), (b) or (c)); or

(e) any representation, warranty or statement made or repeated by, or by an officer of, a Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made or repeated; or any of the following occurs in relation to any Financial Indebtedness of a Relevant Person (in the case of all Relevant Persons (taken as a whole) exceeding in aggregate $5,000,000 (or the equivalent in any other currency) at any relevant time **Provided that** in the case of each Borrower, individually, any Financial Indebtedness exceeding $500,000 (or the equivalent in any other currency)):

(i) any Financial Indebtedness of a Relevant Person is not paid when due; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the opinion of the Majority Lenders, unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress or any form of freezing order in respect of a sum of, or sums exceeding, in aggregate, in the case of all Relevant Persons (taken as a whole) $5,000,000 (or the equivalent in any other currency) at any relevant time **Provided that** in the case of each Borrower, individually, any sum of, or sums exceeding, in aggregate $500,000 (or the equivalent in any other currency and **Provided further** that in the case of an arrest of a Ship, no Event of Default shall occur under this paragraph (ii) if the arrest is discharged, dismissed or released within 60 days of commencement;

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) an administrator is appointed (whether by the court or otherwise) in respect of a Relevant Person; or

(v) any formal declaration of bankruptcy or any formal statement to the effect that a Relevant Person is insolvent or likely to become insolvent is made by a Relevant Person or by the directors of a Relevant Person or, in any proceedings, by a lawyer acting for a Relevant Person; or

(vi) a provisional liquidator is appointed in respect of a Relevant Person, a winding up order is made in relation to a Relevant Person or a winding up resolution is passed by a Relevant Person; or

(vii) a resolution is passed, an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by (aa) a Relevant Person, (bb) the members or directors of a Relevant Person, (cc) a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person, or (dd) a government minister or public or regulatory authority of a Pertinent Jurisdiction for or with a view to the winding up of that or another Relevant Person or the appointment of a provisional liquidator or administrator in respect of that or another Relevant Person, or that or another Relevant Person ceasing or suspending business operations or payments to creditors, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than a Borrower or the Corporate Guarantor which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or

(viii) an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by a creditor of a Relevant Person (other than a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person) for the winding up of a Relevant Person or the appointment of a provisional liquidator or administrator in respect of a Relevant Person in any Pertinent Jurisdiction, unless the proposed winding up, appointment of a provisional liquidator or administration is being contested in good faith, on substantial grounds and not with a view to some other insolvency law procedure being implemented instead and either (aa) the application or petition is dismissed or withdrawn within 30 days of being made or presented, or (bb) within 30 days of the administration notice being given or filed, or the other relevant steps being taken, other action is taken which will ensure that there will be no administration and (in both cases (aa) or (bb)) the Relevant Person will continue to carry on business in the ordinary way and without being the subject of any actual, interim or pending insolvency law procedure; or

(ix) a Relevant Person or its directors take any steps (whether by making or presenting an application or petition to a court, or submitting or presenting a document setting out a proposal or proposed terms, or otherwise) with a view to obtaining, in relation to that or another Relevant Person, any form of moratorium, suspension or deferral of payments, reorganisation of debt (or certain debt) or arrangement with all or a substantial proportion (by number or value) of creditors or of any class of them or any such moratorium, suspension or deferral of payments, reorganisation or arrangement is effected by court order, by the filing of documents with a court, by means of a contract or in any other way at all; or

(x) any meeting of the members or directors, or of any committee of the board or senior management, of a Relevant Person is held or summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iv) to (ix) or a step preparatory to such action, or (with or without such a meeting) the members, directors or such a committee resolve or agree that such an action or step should be taken or should be taken if certain conditions materialise or fail to materialise; or

(xi) in a country other than England, any event occurs, any proceedings are opened or commenced or any step is taken which, in the opinion of the Majority Lenders is similar to any of the foregoing; or

(h) any Borrower ceases or suspends carrying on its business or a part of its business which, in the opinion of the Majority Lenders, is material in the context of this Agreement; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for any Borrower, the Corporate Guarantor or any other Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Majority Lenders consider material under a Finance Document; or

(ii) for the Agent, the Security Trustee, the Lenders or the Swap Bank to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any official consent (including, without limitation, consents required pursuant to the relevant entity's constitutional documents of those required by law) necessary to enable any Borrower to own, operate or charter the Ship owned by it or to enable any Borrower or any Security Party to comply with any provision which the Majority Lenders consider material of a Finance Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(k) any provision which the Majority Lenders consider material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(l) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(m) without the prior written consent of the Lenders, the shares of the Corporate Guarantor cease to be listed on the New York Stock Exchange; or

(n) an Event of Default (as defined in section 14 of the Master Agreement) occurs; or

(o) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Agent, acting with the authorisation of the Majority Lenders; or

(p) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of any Borrower and/or any Security Party and/or any member of the Group; or

(ii) any accident or any Environmental Incident or other event involving any Ship or another vessel owned, chartered or operated by a Relevant Person, which may have a Material Adverse Effect.

19.2 Actions following an Event of Default

On, or at any time after, the occurrence of an Event of Default:

(a) the Agent may, and if so instructed by the Majority Lenders, the Agent shall:

(i) serve on the Borrowers a notice stating that all or part of the Commitments and of the other obligations of each Lender to the Borrowers under this Agreement are cancelled; and/or

(ii) serve on the Borrowers a notice stating that all or part of the Loan together with accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(iii) take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii), the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law; and/or

(b) the Security Trustee may, and if so instructed by the Agent, acting with the authorisation of the Majority Lenders, the Security Trustee shall take any action which, as a result of the Event of Default or any notice served under paragraph (a) (i) or (ii), the Security Trustee, the Agent, the Arranger and/or the Lenders and/or the Swap Bank are entitled to take under any Finance Document or any applicable law.

19.3 Termination of Commitments

On the service of a notice under Clause 19.2(a)(i), the Commitments and all other obligations of each Lender to the Borrowers under this Agreement shall be cancelled.

19.4 Acceleration of Loan

On the service of a notice under Clause 19.2(a)(ii), all or, as the case may be, the part of the Loan specified in the notice together with accrued interest and all other amounts accrued or owing from the Borrowers or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

19.5 Multiple notices; action without notice

The Agent may serve notices under Clauses 19.2(a)(i) and 19.2(a)(ii) simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in Clause 19.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

19.6 Notification of Creditor Parties and Security Parties

The Agent shall send to each Lender, the Swap Bank, the Security Trustee and each Security Party a copy or the text of any notice which the Agent serves on the Borrowers under Clause 19.2; but the notice shall become effective when it is served on the Borrowers, and no failure or delay by the Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide any Borrower or any Security Party with any form of claim or defence.

19.7 Creditor Party's rights unimpaired

Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders or the Swap Bank under a Finance Document or the general law; and, in particular, this Clause is without prejudice to Clause 3.1.

19.8 Exclusion of Creditor Party liability

No Creditor Party, and no receiver or manager appointed by the Security Trustee, shall have any liability to a Borrower or a Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset, except that this does not exempt a Creditor Party or a receiver or manager from liability for losses shown to have been directly and mainly caused by the dishonesty or the wilful misconduct of such Creditor Party's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

19.9 Relevant Persons

In this Clause 19, a **"Relevant Person"** means a Borrower, the Corporate Guarantor or a Security Party, and any company which is a subsidiary of the Corporate Guarantor or a Security Party and any other member of the Group but excluding any company which is dormant and the value of whose gross assets is $50,000 or less.

19.10 Interpretation

In Clause 19.1(f), references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 19.1(g), "**petition**" includes an application.

19.11 Position of Swap Bank

Neither the Agent nor the Security Trustee shall be obliged, in connection with any action taken or proposed to be taken under or pursuant to the foregoing provisions of this Clause 19, to have any regard to the requirements of the Swap Bank except to the extent that the Swap Bank is also a Lender.

20 FEES AND EXPENSES

20.1 Arrangement and commitment fees

The Borrowers shall pay to the Agent:

(a) on the Drawdown Date, a non-refundable arrangement fee of equal to $64,387.50; and

(b) a non-refundable commitment fee at the rate of 1.2 per cent. per annum on the undrawn or un-cancelled amount of the Total Commitments, during the period from (and including) the date of this Agreement up to the earlier of (i) the Drawdown Date and (ii) the last day of the Availability Period, such commitment fee to be payable quarterly in arrears during such period and on the last day thereof.

20.2 Costs of negotiation, preparation etc.

The Borrowers shall pay to the Agent on its demand the amount of all expenses incurred by the Agent or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document (including, but not limited to, any costs incurred by the Agent in connection with the insurance opinion to be provided to it in accordance with paragraph 7 of Part B, Schedule 3).

20.3 Costs of variations, amendments, enforcement etc.

The Borrowers shall pay to the Agent, on the Agent's demand, for the account of the Creditor Party concerned, the amount of all expenses incurred by a Creditor Party in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lenders, the Swap Bank, the Majority Lenders or the Creditor Party concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 15 or any other matter relating to such security;

(d) where the Security Trustee, in its absolute opinion, considers that there has been a material change to the insurances in respect of a Ship, the review of the insurances of that Ship pursuant to Clause 13.17; and

(e) any step taken by the Creditor Party concerned with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose (including, without limitation, a request for the preparation of any insurance opinion prepared by an insurance expert acceptable to the Agent, which, in the opinion of the Agent, opines on the matters requested by the Agent in a satisfactory manner).

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

20.4 Extraordinary management time

The Borrowers shall pay to the Agent on its demand compensation in respect of the reasonable and documented amount of time which the management of either Servicing Bank has spent in connection with a matter covered by Clause 20.3 and which exceeds the amount of time which would ordinarily be spent in the performance of the relevant Servicing Bank's routine functions. Any such compensation shall be based on such reasonable daily or hourly rates as the Agent may notify to the Borrowers and is in addition to any fee paid or payable to the relevant Servicing Bank.

20.5 Documentary taxes

The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Agent's demand, fully indemnify each Creditor Party against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers to pay such a tax.

20.6 Certification of amounts

A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21 INDEMNITIES

21.1 Indemnities regarding borrowing and repayment of Loan

The Borrowers shall fully indemnify the Agent and each Lender on the Agent's demand and the Security Trustee on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) the Loan not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender claiming the indemnity;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrowers to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrowers on the amount concerned under Clause 7); and

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 19,

and in respect of any tax (other than tax on its overall net income or a FATCA Deduction) for which a Creditor Party is Liable in connection with any amount paid or payable to that Creditor Party (whether for its own account or otherwise) under any Finance Document.

21.2 Breakage costs

Without limiting its generality, Clause 21.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by a Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender concerned) to hedge any exposure arising under this Agreement or that part which the Lender concerned determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating, or otherwise in connection with, a number of transactions of which this Agreement is one.

21.3 Miscellaneous indemnities

The Borrowers shall fully indemnify each Creditor Party severally on their respective demands in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by a Creditor Party, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Agent, the Security Trustee, the Arranger or any other Creditor Party or by any receiver appointed under a Finance Document; and

(b) any other Pertinent Matter, other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or wilful misconduct of the officers or employees of the Creditor Party concerned.

Without prejudice to its generality, this Clause 21.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law.

21.4 Environmental Indemnity

Without prejudice to its generality, Clause 21.3 covers any claims, demands, proceedings, liabilities, taxes, losses or expenses of every kind which arise, or are asserted, under or in connection with any law relating to safety at sea, pollution or the protection of the environment, the ISM Code or the ISPS Code.

21.5 Currency indemnity

If any sum due from any Borrower or any Security Party to a Creditor Party under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the "Contractual Currency") into another currency (the "Payment Currency") for the purpose of:

(a) making or lodging any claim or proof against any Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment, the Borrowers shall indemnify the Creditor Party concerned against the loss arising when the amount of the payment actually received by that Creditor Party is converted at the available rate of exchange into the Contractual Currency.

In this Clause 21.5, the **"available rate of exchange"** means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 21.5 creates a separate liability of the Borrowers which is distinct from their other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

21.6 Application to Master Agreement

For the avoidance of doubt, Clause 21.5 does not apply in respect of sums due from the Borrowers to the Swap Bank under or in connection with the Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of the Master Agreement shall apply.

21.7 Certification of amounts

A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21.8 Sums deemed due to a Lender

For the purposes of this Clause 21, a sum payable by the Borrowers to the Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender.

21.9 Notice of prepayment

If the Borrowers are not willing to continue to indemnify the Creditor Parties for any tax for which the Creditor Parties are liable under Clause 21.1, the Borrowers may give the Agent not less than 14 days' notice of their intention to prepay the Loan at the end of an Interest Period.

21.10 Prepayment

A notice under Clause 21.9 shall be irrevocable; and on the date specified in the Borrowers' notice of intended prepayment, the Commitments shall terminate and the Borrowers shall prepay the Loan together with accrued interest thereon at the applicable rate plus the Margin.

22 NO SET-OFF OR TAX DEDUCTION

22.1 No deductions

All amounts due from the Borrowers under a Finance Document shall be paid:

(a) without any form of set off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which a Borrower is required by law to make.

22.2 Grossing-up for taxes

If a Borrower is required by law to make a tax deduction from any payment:

(a) that Borrower shall notify the Agent as soon as it becomes aware of the requirement;

(b) that Borrower shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises; and

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that each Creditor Party receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

22.3 Evidence of payment of taxes

Within 1 month after making any tax deduction, the Borrower concerned shall deliver to the Agent documentary evidence satisfactory to the Agent that the tax had been paid to the appropriate taxation authority.

22.4 Exclusion of tax on overall net income

In this Clause 22 **"tax deduction"** means any deduction or withholding for or on account of any present or future tax, excluding any FATCA Deduction, except tax on a Creditor Party's overall net income.

22.5 Application to Master Agreement

For the avoidance of doubt, Clause 22 does not apply in respect of sums due from the Borrowers to the Swap Bank under or in connection with the Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Agreement shall apply.

22.6 Notice of prepayment

If the Borrowers are not willing to continue to make a tax deduction under Clause 22.2 the Borrowers may give the Agent not less than 14 days' notice of their intention to prepay the Loan at the end of an Interest Period.

22.7 Prepayment

A notice under Clause 22.6 shall be irrevocable; and on the date specified in the Borrowers' notice of intended prepayment, the Commitments shall terminate and the Borrowers shall prepay the Loan, together with accrued interest thereon at the applicable rate plus the Margin.

22.8 FATCA

(a) **FATCA Information**

(i) Subject to paragraph (iii) below, each party to a Finance Document shall, within 10 Business Days of a reasonable request by another party to the Finance Documents:

(A) confirm to that other party whether it is a FATCA Exempt Party or is not a FATCA Exempt Party; and

(B) supply to the requesting party such forms (including IRS Form W-8 or Form W-9 or any successor or substitute form, as applicable), documentation and other information relating to its status under FATCA (including its applicable "passthru percentage" or other information required under the US Treasury regulations or other official guidance including intergovernmental agreements) as the requesting party reasonably requests for the purposes of such requesting party's compliance with FATCA;

(ii) If a party to any Finance Document confirms to another party pursuant to Clause 22.8(a)(i) above that it is a FATCA Exempt Party or provides an IRS Form W-8 or W-9 showing that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, or that the IRS Form has ceased to be valid, that party shall notify that other party reasonably promptly;

(iii) Sub-clause (i) above shall not oblige any Creditor Party to do anything which would or might in its reasonable opinion constitute a breach of any law or regulation, any policy of that party, any fiduciary duty or any duty of confidentiality, or to disclose any confidential information (including, without limitation, its tax returns and calculations); provided, however, that information required (or equivalent to the information so required) by IRS Forms W-8 or W-9 (or any successor forms) shall not be treated as confidential information of such party for purposes of this sub-clause (iii);

(iv) If a party to any Finance Document fails to confirm its status or to supply forms, documentation or other information requested in accordance with sub-clause (i) above (including, for the avoidance of doubt, where sub-clause (iii) above applies), then:

(A) if that party failed to confirm whether it is (and/or remains) a FATCA Exempt Party then such party shall be treated for the purposes of the Finance Documents as if it is not a FATCA Exempt Party; and

(B) if that party failed to confirm its applicable passthru percentage then such party shall be treated for the purposes of the Finance Documents (and payments made thereunder) as if its applicable passthru percentage is 100 per cent.,

until (in each case) such time as the party in question provides the requested confirmation, forms, documentation or other information.

(b) **FATCA Withholding**

(i) Each party to any Finance Document may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(ii) Each party to any Finance Document shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the party to whom it is making the payment and, in addition, shall notify the Borrowers, the Agent and the other Creditor Parties.

23 ILLEGALITY, ETC.

23.1 Illegality

This Clause 23 applies if a Lender (the **"Notifying Lender"**) notifies the Agent that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation,

for the Notifying Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

23.2 Notification of illegality

The Agent shall promptly notify the Borrowers, the Security Parties, the Security Trustee and the other Lenders of the notice under Clause 23.1 which the Agent receives from the Notifying Lender.

23.3 Prepayment; termination of Commitment

On the Agent notifying the Borrowers under Clause 23.2, the Notifying Lender's Commitment shall terminate; and thereupon or, if later, on the date specified in the Notifying Lender's notice under Clause 23.1 as the date on which the notified event would become effective the Borrowers shall prepay the Notifying Lender's Contribution in accordance with Clause 8.

23.4 Mitigation

If circumstances arise which would result in a notification under Clause 23.1 then, without in any way limiting the rights of the Notifying Lender under Clause 23.3, the Notifying Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the circumstances but the Notifying Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

24 INCREASED COSTS

24.1 Increased costs

This Clause 24 applies if a Lender (the **"Notifying Lender"**) notifies the Agent that the Notifying Lender considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on that Lender's overall net income); or

(b) complying with any regulation (including 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"**) and any other regulation which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement; or

(c) the introduction, implementation, application, administration or compliance with Basel III, CRD IV or CRR or any law or regulation which implements or applies Basel **III,** CRD IV or CRR (regardless of the date on which it is enacted, adopted or issued and regardless of whether any such implementation, application or compliance is by a government, regulator, the Creditor Party or any of its Affiliates) after the date of this Agreement, the Notifying Lender (or its Holding Company) has incurred or will incur an **"increased cost".**

24.2 Meaning of "increased costs"

In this Clause 24, **"increased costs"** means, in relation to a Notifying Lender:

(a) an additional or increased cost incurred as a result of, or in connection with, the Notifying Lender having entered into, or being a party to, this Agreement or a Transfer Certificate, of funding or maintaining its Commitment or Contribution or performing its obligations under this Agreement, or of having outstanding all or any part of its Contribution or other unpaid sums;

(b) a reduction in the amount of any payment to the Notifying Lender under this Agreement or in the effective return which such a payment represents to the Notifying Lender or on its capital;

(c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Notifying Lender's Contribution or (as the case may require) the proportion of that cost attributable to the Contribution; or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender under this Agreement,

but not an item attributable to (i) a change in the rate of tax on the overall net income of the Notifying Lender (or its Holding Company), (ii) a FATCA Deduction required to be made by a party to a Finance Document or (iii) an item covered by the indemnity for tax in Clause 21.1 or by Clause 22.

For the purposes of this Clause 24.2 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

24.3 Notification to Borrowers of claim for increased costs

The Agent shall promptly notify the Borrowers and the Security Parties of the notice which the Agent received from the Notifying Lender under Clause 24.1.

24.4 Payment of increased costs

The Borrowers shall pay to the Agent, on the Agent's demand, for the account of the Notifying Lender the amounts which the Agent from time to time notifies the Borrowers that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

24.5 Notice of prepayment

If the Borrowers are not willing to continue to compensate the Notifying Lender for the increased cost under Clause 24.4, the Borrowers may give the Agent not less than 14 days' notice of their intention to prepay the Notifying Lender's Contribution at the end of an Interest Period.

24.6 Prepayment; termination of Commitment

A notice under Clause 24.5 shall be irrevocable; the Agent shall promptly notify the Notifying Lender of the Borrowers' notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrowers shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

24.7 Application of prepayment

Clause 8 shall apply in relation to the prepayment.

25 SET-OFF

25.1 Application of credit balances

Each Creditor Party may without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of a Borrower at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from that Borrower to that Creditor Party under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of that Borrower;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

25.2 Existing rights unaffected

No Creditor Party shall be obliged to exercise any of its rights under Clause 25.1; and those rights shall be without prejudice and in addition to any right of set off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

25.3 Sums deemed due to a Lender

For the purposes of this Clause 25, a sum payable by the Borrowers to the Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

25.4 No Security Interest

This Clause 25 gives the Creditor Parties a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of any Borrower.

26 TRANSFERS AND CHANGES IN LENDING OFFICES

26.1 Transfer by Borrowers

No Borrower may, without the prior written consent of the Agent, given on the instructions of all the Creditor Parties, transfer any of its rights, liabilities or obligations under any Finance Document.

26.2 Transfer by a Lender

Subject to Clause 26.4, a Lender (the **"Transferor Lender"**) may at any time cause:

(a) its rights in respect of all or part of its Contribution; or

(b) its obligations in respect of all or part of its Commitment; or

(c) a combination of (a) and (b),

to be (in the case of its rights) transferred to, or (in the case of its obligations) assumed by, another bank or financial institution or a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (a **"Transferee Lender"**) by delivering to the Agent a completed certificate in the form set out in Schedule 4 with any modifications approved or required by the Agent (a **"Transfer Certificate"**) executed by the Transferor Lender and the Transferee Lender.

However any rights and obligations of the Transferor Lender in its capacity as Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Agreement.

A transfer pursuant to this Clause 26.2 shall be effected:

(i) without the consent of the Borrowers:

(A) following the occurrence of an Event of Default which is continuing; and/or

(B) if such transfer is to another Lender or an Affiliate of a Lender; and

(ii) in all other circumstances with the consent of the Borrowers (such consent not to be unreasonably withheld or delayed) and the Borrowers will be deemed to have given its consent 5 Business Days following the request of the Transferor Lender unless the consent is expressly refused by the Borrowers within that time.

26.3 Transfer Certificate, delivery and notification

As soon as reasonably practicable after a Transfer Certificate is delivered to the Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

(a) sign the Transfer Certificate on behalf of itself, the Borrowers, the Security Parties, the Security Trustee, each of the other Lenders and the Swap Bank;

(b) on behalf of the Transferee Lender, send to each Borrower and each Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it; and

(c) send to the Transferee Lender copies of the letters or faxes sent under paragraph (b) above,

but the Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Transferor Lender and the Transferee Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to that Transferee Lender.

26.4 Effective Date of Transfer Certificate

A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date, **Provided that** it is signed by the Agent under Clause 26.3 on or before that date.

26.5 No transfer without Transfer Certificate

Except as provided in Clause 26.17, no assignment or transfer of any right or obligation of a Lender under any Finance Document is binding on, or effective in relation to, any Borrower, any Security Party, the Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

26.6 Lender re-organisation; waiver of Transfer Certificate

However, if a Lender enters into any merger, de-merger or other reorganisation as a result of which all its rights or obligations vest in another person (the "**successor**"), the Agent may, if it sees fit, by notice to the successor and the Borrowers and the Security Trustee waive the need for the execution and delivery of a Transfer Certificate; and, upon service of the Agent's notice, the successor shall become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

26.7 Effect of Transfer Certificate

A Transfer Certificate takes effect in accordance with English law as follows:

(a) to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents (other than the Master Agreement) are assigned to the Transferee Lender absolutely, free of any defects in the Transferor Lender's title and of any rights or equities which any Borrower or any Security Party had against the Transferor Lender;

(b) the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;

(c) the Transferee Lender becomes a Lender with the Contribution previously held by the Transferor Lender and a Commitment of an amount specified in the Transfer Certificate;

(d) the Transferee Lender becomes bound by all the provisions of the Finance Documents (other than the Master Agreement) which are applicable to the Lenders generally, including those

about pro rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;

(e) any part of the Loan which the Transferee Lender advances after the Transfer Certificate's effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the transferor, assuming that any defects in the transferor's title and any rights or equities of any Borrower or any Security Party against the Transferor Lender had not existed;

(f) the Transferee Lender becomes entitled to all the rights under the Finance Documents (other than the Master Agreement) which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under Clause 5.7 and Clause 20, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

(g) in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document, the Transferee Lender shall be entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of any Borrower or any Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross claim.

26.8 Maintenance of register of Lenders

During the Security Period the Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender holding a Transfer Certificate and the effective date (in accordance with Clause 26.4) of the Transfer Certificate; and the Agent shall make the register available for inspection by any Lender, the Security Trustee and the Borrowers during normal banking hours, subject to receiving at least 3 Business Days' prior notice.

26.9 Reliance on register of Lenders

The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

26.10 Authorisation of Agent to sign Transfer Certificates

Each Borrower, the Security Trustee, each Lender and the Swap Bank irrevocably authorise the Agent to sign Transfer Certificates on its behalf.

26.11 Registration fee

In respect of any Transfer Certificate, the Agent shall be entitled to recover a registration fee of $2,500 from the Transferor Lender or (at the Agent's option) the Transferee Lender.

26.12 Sub-participation; securitisation; subrogation assignment

(a) A Lender may sub-participate or include in a securitisation or similar transaction all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, any Borrower, any Security Party, the Agent or the

Security Trustee or any other Creditor Party; and the Lenders may assign, in any manner and terms agreed by the Majority Lenders, the Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

(b) The Borrower shall, and shall procure that each Security Party shall, do everything desirable or necessary to assist a Lender to achieve a successful (in the opinion of that Lender) securitisation (or similar transaction).

26.13 Disclosure of information

In relation to any information which a Lender has received in relation to any Borrower, any Security Party or their affairs under or in connection with any Finance Document that Lender may disclose any such information without the prior irrevocable authorisation of or notice to that Borrower and the Corporate Guarantor to:

(a) a potential transferee lender, sub-participant, Affiliate, any other assignee or transferee or any other person who may propose entering into a contractual relation with that Lender in relation to this Agreement; and/or

(b) any direct or indirect Subsidiary, any direct or indirect Holding Company, any Affiliate or any other company in its group; and/or

(c) any authorities (including, without limitation, any private, public or internationally recognised authorities) or any party to any Finance Document or any professional adviser to that Lender; and/or

(d) a rating agency or their professional advisors; and/or

(e) any other person regarding the funding, refinancing, transfer, assignment, sale, sub-participation, operational arrangement or other transaction in relation thereto including without limitation any enforcement, preservation, assignment, transfer, sale or sub-participation of that Lender's rights and obligations, and including, without limitation, (x) for purposes in connection with (1) any enforcement or (2) assignment or transfer of that Lender's rights or obligations under any Finance Document or (y) to the extent desirable or necessary in connection with or in contemplation of a securitisation (or similar transaction).

26.14 Change of lending office

A Lender may change its lending office by giving notice to the Agent and the change shall become effective on the later of:

(a) the date on which the Agent receives the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

26.15 Notification

On receiving such a notice, the Agent shall notify the Borrowers and the Security Trustee; and, until the Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office of which the Agent last had notice.

26.16 Replacement of the Reference Bank

If the Reference Bank ceases to be a Lender or is unable on a continuing basis to supply quotations for the purposes of Clause 5 then, unless the Borrowers, the Agent and the Majority Lenders otherwise agree, the Agent, acting on the instructions of the Majority

Lenders, and after consulting the Borrowers, shall appoint another bank (whether or not a Lender) to be a replacement Reference Bank; and, when that appointment comes into effect, the first mentioned Reference Bank's appointment shall cease to be effective.

26.17 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 26, each Lender may without consulting with or obtaining consent from any Borrower or any Security Party, at any time charge, assign or otherwise create a Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

(a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and

(b) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security Interest shall:

(i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for that Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by any Borrower or any Security Party or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

27 VARIATIONS AND WAIVERS

27.1 Variations, waivers etc. by Majority Lenders

Subject to Clause 27.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or any Creditor Party's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax, by the Borrowers, by the Agent on behalf of the Majority Lenders, by the Agent and the Security Trustee in their own rights, and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

27.2 Variations, waivers etc. requiring agreement of all Lenders.

However, as regards the following, Clause 27.1 applies as if the words "by the Agent on behalf of the Majority Lenders" were replaced by the words "by or on behalf of every Lender and the Swap Bank":

(a) a reduction in the Margin;

(b) a postponement to the date for, or a reduction in the amount of, any payment of principal, interest, fees or other sum payable under this Agreement;

(c) an increase in any Lender's Commitment;

(d) a change to the definition of **"Majority Lenders"**;

(e) a change to Clause 3 or this Clause 27;

(f) any release of, or material variation to, a Security Interest, guarantee, indemnity or subordination arrangement set out in a Finance Document; and

(g) any other change or matter as regards which this Agreement or another Finance Document expressly provides that each Lender's consent is required.

27.3 Exclusion of other or implied variations

Except for a document which satisfies the requirements of Clauses 27.1 and 27.2 no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by a Borrower or a Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law, and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

28 NOTICES

28.1 General

Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

28.2 Addresses for communications

A notice by letter or fax shall be sent:

(a) to the Borrowers:
c/o Approved Manager
16 Pendelis Street
175 64 Paleo Faliro
Athens Greece

Fax No: +30 210 9470101

(b) to a Lender: At the address below its name in Schedule 1 or (as the case may require) in the relevant Transfer Certificate.

(c) to the Agent, Arranger and Security Trustee:
ABN AMRO Bank N.V.
93 Coolsingel
3012 AE Rotterdam
The Netherlands

Attn: Loans Administration/Transportation
Fax No: +31 10 401 5323

(d) to the Swap Bank: ABN AMRO Bank N.V.
c/o Markets Documentation Unit
Gustav Mahlerlaan 10
NL-1082PP Amsterdam
The Netherlands

mdu@nl.abnamro.com
Fax No: +31 10 459 0538

or to such other address as the relevant party may notify the Agent or, if the relevant party is the Agent or the Security Trustee, the Borrowers, the Lenders, the Arranger, the Swap Bank and the Security Parties.

28.3 Effective date of notices

Subject to Clauses 28.4 and 28.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

28.4 Service outside business hours

However, if under Clause 28.3 a notice would be deemed to be served:

(a) on a day which is not a business day in the place of receipt; or

(b) on such a business day, but after 5 p.m. local time, the notice shall (subject to Clause 28.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

28.5 Illegible notices

Clauses 28.3 and 28.4 do not apply if the recipient of a notice notifies the sender within 1 hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

28.6 Valid notices

A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

28.7 Electronic communication

Any communication to be made between the Agent and a Lender or Swap Bank or the Agent and the Borrowers under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Creditor Party or the Borrowers:

(a) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(b) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(c) notify each other of any change to their respective addresses or any other such information supplied to them.

Any electronic communication made between the Agent and a Lender or the Swap Bank or the Borrowers will be effective only when actually received in readable form and, in the case of any electronic communication made by a Creditor Party or the Borrowers to the Agent, only if it is addressed in such a manner as the Agent shall specify for this purpose.

28.8 English language

Any notice under or in connection with a Finance Document shall be in English.

28.9 Meaning of "notice"

In this Clause 28, **"notice"** includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

29 JOINT AND SEVERAL LIABILITY

29.1 General

All liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clause 29.2, joint.

29.2 No impairment of Borrower's obligations

The liabilities and obligations of a Borrower shall not be impaired by:

(a) this Agreement being or later becoming void, unenforceable or illegal as regards any other Borrower;

(b) any Lender, the Swap Bank or the Security Trustee entering into any rescheduling, refinancing or other arrangement of any kind with any other Borrower;

(c) any Lender, the Swap Bank or the Security Trustee releasing any other Borrower or any Security Interest created by a Finance Document; or

(d) any combination of the foregoing.

29.3 Principal debtors

Each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and no

Borrower shall in any circumstances be construed to be a surety for the obligations of any other Borrower under this Agreement.

29.4 Subordination

Subject to Clause 29.5, during the Security Period, no Borrower shall:

(a) claim any amount which may be due to it from any other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or

(b) take or enforce any form of security from any other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of any other Borrower; or

(c) set off such an amount against any sum due from it to any other Borrower; or

(d) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving any other Borrower or other Security Party; or

(e) exercise or assert any combination of the foregoing.

29.5 Borrower's required action

If during the Security Period, the Agent, by notice to a Borrower, requires it to take any action referred to in paragraphs (a) to (d) of Clause 29.4, in relation to any other Borrower, that Borrower shall take that action as soon as practicable after receiving the Agent's notice.

30 SUPPLEMENTAL

30.1 Rights cumulative, non-exclusive

The rights and remedies which the Finance Documents give to each Creditor Party are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

30.2 Severability of provisions

If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

30.3 Counterparts

A Finance Document may be executed in any number of counterparts.

30.4 Third party rights

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

30.5 PATRIOT Act Notice

Each of the Agent and the Lenders hereby notifies the Borrowers that pursuant to the requirements of the PATRIOT Act and the policies and practices of the Agent and each Lender, the Agent and each of the Lenders is required to obtain, verify and record certain information and documentation that identifies any Borrower and any Security Party, which information includes the name and address of each Borrower and each Security Party and such other information that **will** allow the Agent and each of the Lenders to identify each Borrower and each Security Party in accordance with the PATRIOT Act.

31 CONFIDENTIALITY

31.1 Confidential Information

The Creditor Parties agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 31.2, and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

31.2 Disclosure of Confidential Information

The Creditor Parties may disclose:

(a) to any of its Affiliates and Related Funds and any of their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as the Creditor Parties shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

(b) to any person (if that person to whom the Confidential Information is to be given is informed in writing of its confidential nature and undertakes in writing not to disclose such Confidential Information to any third party and/or make use of it in case the dealings contemplated below are not concluded):

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or any Borrower and/or any Security Party and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(iii) appointed by the Creditor Parties or by a person to whom paragraphs (i) or (ii) applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraphs (i) or (ii);

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory

authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom or for whose benefit a Creditor Parties charges, assigns or otherwise creates security (or may do so) pursuant to Clause 26.17;

(vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(viii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(ix) to whom information is required to be disclosed in connection with, and for the purposes of, any insurance to be effected by a Creditor Party in relation to or in connection with any Finance Document;

(x) who is a party to this Agreement; or

(xi) with the consent of the Borrowers,

in each case, such Confidential Information as the Creditor Parties shall consider appropriate;

(c) to any person appointed by a Creditor Party by a person to whom paragraphs (b)(i) or (b)(ii) of Clause 31.2 applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) provided always that such person will undertake in writing not to disclose such Confidential Information to any third party;

(d) to any rating agency (including its profession advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents, the Borrowers and/or the Security Parties provided always that such rating agency will undertake in writing not to disclose such Confidential Information to any third party.

31.3 Entire agreement

This Clause 31 constitutes the entire agreement between the parties to this Agreement in relation to the obligations of the Creditor Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

31.4 Inside Information

The Creditor Parties acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Creditor Parties undertake not to use any Confidential Information for any unlawful purpose.

31.5 Notification of disclosure

The Creditor Parties agree (to the extent permitted by law and regulation) to inform the Borrowers and the Security Parties:

(a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 31.2 except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 31.

31.6 Continuing obligations

The obligations of this Clause 31 are continuing and, in particular, shall survive and remain binding on the Creditor Parties for a period of twelve months from the earlier of:

(a) the date on which all amounts payable by the Borrowers and the Security Parties under or in connection with the Finance Documents have been paid in full and all obligations of the Creditor Parties have been cancelled or otherwise cease to be available; and

(b) the date on which a Creditor Party otherwise ceases to be a party to this Agreement.

32 BAIL-IN

32.1 Contractual recognition of bail-in

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the parties to a Finance Document, each party acknowledges and accepts that any liability of any party to a Finance Document under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

(a) any Bail-In Action in relation to any such liability, including (without limitation):

(i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;

(ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

(iii) a cancellation of any such liability; and

(b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.",

and the remaining clauses will be renumbered and all relevant cross references will be updated accordingly;

33 LAW AND JURISDICTION

33.1 English law

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

33.2 Exclusive English jurisdiction

Subject to Clause 33.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

33.3 Choice of forum for the exclusive benefit of Creditor Parties

Clause 33.2 is for the exclusive benefit of the Creditor Parties, each of which reserves the rights:

(a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

No Borrower shall commence any proceedings in any country other than England in relation to a Dispute.

33.4 Process agent

Each Borrower irrevocably appoints Nicolaou & Co (for the attention of Antonis Nicolaou) at its registered office for the time being, presently at 25 Heath Drive, Potters Bar, Herts, EN6 lEN, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

33.5 Creditor Party rights unaffected

Nothing in this Clause 33 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

33.6 Meaning of "proceedings" and "Dispute"

In this Clause 33, **"proceedings"** means proceedings of any kind, including an application for a provisional or protective measure and a **"Dispute"** means any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) or any non-contractual obligation arising out of or in connection with this Agreement.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

LENDERS AND COMMITMENTS

Lender	**Lending Office**	**Commitment (US Dollars)**
ABN AMRO BANK N.V.	c/o Loans Administration – Transportation Clients 93 Coolsingel 3012 AE Rotterdam The Netherlands	25,755,000

SCHEDULE 2

DRAWDOWN NOTICE

To: ABN AMR° BANK N.V.
93 Coolsingel 3012 AE Rotterdam
The Netherlands

Attention: [Loans Administration]

[●] 2016

DRAWDOWN NOTICE

1 We refer to the loan agreement (the "**Loan Agreement**") dated [●] March 2016 and made between ourselves, as joint and several Borrowers, the Lenders referred to therein, and yourselves as Agent, Arranger, Security Trustee and Swap Bank in connection with a term loan facility of up to US$25,755,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow as follows:

(a) Amount of Loan: US$25,755,000;

(b) Drawdown Date: [●] 2016;

(c) Duration of the first Interest Period shall be [●] months; and

(d) Payment instructions: account in our name and numbered [●] with [●] of [●].

3 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without the prior consent of the Majority Lenders.

5 [We authorise you to deduct the arrangement fee, being in the amount of $[●], and the accrued commitment fee, being in the amount of $[●], each referred to in Clause 20.1 of the Loan Agreement, from the Loan.]

[Name of Signatory]

for and on behalf of
KABEN SHIPPING COMPANY INC. and
TAROA SHIPPING COMPANY INC.

SCHEDULE 3

CONDITION PRECEDENT DOCUMENTS

PART A

The following are the documents referred to in Clause 9.1(a) required before the service of the Drawdown Notice.

1 A duly executed original of this Agreement and each Finance Document (and of each document required to be delivered by each Finance Document) other than those referred to in Part B.

2 Copies of the certificate of incorporation and constitutional documents of each Borrower, the Corporate Guarantor and any other Security Party.

3 Copies of resolutions of the shareholders and directors of each Borrower and each Security Party (other than the Corporate Guarantor) authorising the execution of each of the Finance Documents to which that Borrower or that Security Party is a party and, in the case of a Borrower, authorising named officers to give the Drawdown Notice and other notices under this Agreement.

4 Copies of resolutions of the executive committee of the Corporate Guarantor authorising the execution of each of the Finance Documents to which it is a party.

5 The original of any power of attorney under which any Finance Document is executed on behalf of a Borrower, the Corporate Guarantor or any other Security Party.

6 Copies of all consents which any Borrower, the Corporate Guarantor or any Security Party requires to enter into, or make any payment under, any Finance Document.

7 The originals of any mandates or other documents required by the Agent in connection with the opening or operation of the Accounts.

8 Such documents and other evidence in such form as is requested by the Agent in order for the Lenders to comply with all necessary "know your customer" or "client acceptance" or other similar identification procedures (including, but not limited to, specimen signatures of all the directors and other officers of each Borrower and each Security Party) in relation to the transactions contemplated in the Finance Documents.

9 Documentary evidence that the agent for service of process named in Clause 31 has accepted its appointment.

10 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of Marshall Islands and such other relevant jurisdictions as the Agent may require.

11 If the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

PART B

The following are the documents referred to in Clause 9.1(b) required before the Drawdown Date. In Part B of this Schedule 3, the following definitions have the following meanings:

(a) **"Relevant Borrower"** means the Borrower which is the owner of the Relevant Ship; and

(b) **"Relevant Ship"** means the Ship which is to be financed by using the proceeds of the Loan being drawn on the Drawdown Date.

1 A duly executed original of the Mortgage and the General Assignment relating to the Relevant Ship (and of each document to be delivered under each of them).

2 Documentary evidence that:

(a) the Relevant Ship is definitively and permanently registered in the name of the Relevant Borrower under an Approved Flag;

(b) the Relevant Ship is in the absolute and unencumbered ownership of the Relevant Borrower save as contemplated by the Finance Documents;

(c) the Relevant Ship maintains the highest class with a classification society which is a member of IACS and acceptable to the Agent free of all overdue recommendations and conditions ;

(d) the Mortgage relating to the Relevant Ship has been duly registered or recorded against the Relevant Ship as a valid first preferred or, as the case may be, priority ship mortgage in accordance with the laws of the applicable Approved Flag State; and

(e) the Relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

3 Documents establishing that the Relevant Ship will, as from the Drawdown Date, be managed by the Approved Manager on terms acceptable to the Agent, together with:

(a) the Approved Manager's Undertaking in respect of the Relevant Ship duly signed by the Approved Manager; and

(b) copies of the Approved Manager's Document of Compliance and of the Relevant Ship's Safety Management Certificate (together with any other details of the applicable safety management system which the Agent requires), the ISSC and the IAPPC.

4 Evidence satisfactory to the Agent that each Borrower has opened and maintains its Earnings Account and the Excess Cash Account.

5 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of Marshall Islands, the applicable Approved Flag State and such other relevant jurisdictions as the Agent may require.

6 At the cost of the Borrowers, a favourable opinion from an independent insurance consultant acceptable to the Agent on such matters relating to the insurances for the Relevant Ship as the Agent may require.

7 Evidence satisfactory to the Agent that the Minimum Liquidity Amount is standing to the credit of the Earnings Account in respect of the Relevant Ship pursuant to Clause 11.17.

8 If the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

Each of the documents specified in paragraphs 2, 3, 5 and 7 of Part A and every other copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of each Borrower.

SCHEDULE 4

TRANSFER CERTIFICATE

The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.

To: ABN AMRO Bank N.V. for itself and for and on behalf of the Borrower, [each Security Party], the Security Trustee, each Lender and the Swap Bank, as defined in the Loan Agreement referred to below.

[●] 2016

1 This Certificate relates to a Loan Agreement (the **"Loan Agreement"**) dated [●] March 2016 and made between (1) Kaben Shipping Company Inc. and Taroa Shipping Company Inc. as joint and several borrowers (the **"Borrowers"),** (2) the banks and financial institutions named in Schedule 1 thereto as Lenders, (3) ABN AMRO Bank N.V. as Agent, (4) ABN AMRO Bank N.V. as Arranger, (5) ABN AMRO Bank N.V. as Security Trustee and (6) ABN AMRO Bank N.V. as Swap Bank for a loan facility of up to US$25,755,000.

2 In this Certificate, terms defined in the Loan Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate and:

"Relevant Parties" means the Agent, the Borrower, [each Security Party,] the Security Trustee, each Lender and the Swap Bank;

"Transferor" means [full name] of [lending office]; and

"Transferee" means [full name] of [lending office].

3 The effective date of this Certificate is [●], **Provided that** this Certificate shall not come into effect unless it is signed by the Agent on or before that date.

4 [The Transferor assigns to the Transferee absolutely all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Loan Agreement and every other Finance Document (other than the Master Agreement) in relation to [●] per cent. of its Contribution, which percentage represents $[●].]

5 [By virtue of this Certificate and Clause 26 of the Loan Agreement, the Transferor is discharged [entirely from its Commitment which amounts to $[●] [from [0] per cent. of its Commitment, which percentage represents $[●]] and the Transferee acquires a Commitment of $[●].]

6 The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents (other than the Master Agreement) which Clause 26 of the Loan Agreement provides will become binding on it upon this Certificate taking effect.

7 The Agent, at the request of the Transferee (which request is hereby made) accepts, for the Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 26 of the Loan Agreement.

8 The Transferor:

(a) warrants to the Transferee and each Relevant Party that:

(i) the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which are required in connection with this transaction; and

(ii) this Certificate is valid and binding as regards the Transferor;

(b) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the assignment in paragraph 4 above; and

(c) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.

9 The Transferee:

(a) confirms that it has received a copy of the Loan Agreement and each of the other Finance Documents;

(b) agrees that it will have no rights of recourse on any ground against either the Transferor, the Agent, the Arranger, the Security Trustee, any Lender or the Swap Bank in the event that:

(i) any of the Finance Documents prove to be invalid or ineffective;

(ii) any Borrower or any Security Party fails to observe or perform its obligations, or to discharge its liabilities, under any of the Finance Documents; and

(iii) it proves impossible to realise any asset covered by a Security Interest created by a Finance Document, or the proceeds of such assets are insufficient to discharge the liabilities of the Borrowers or any Security Party under any of the Finance Documents;

(c) agrees that it will have no rights of recourse on any ground against the Agent, the Arranger, the Security Trustee, any Lender or the Swap Bank in the event that this Certificate proves to be invalid or ineffective;

(d) warrants to the Transferor and each Relevant Party that:

(i) it has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs to take or obtain in connection with this transaction; and

(ii) this Certificate is valid and binding as regards the Transferee; and

(e) confirms the accuracy of the administrative details set out below regarding the Transferee.

10 The Transferor and the Transferee each undertake with the Agent, the Arranger and the Security Trustee severally, on demand, fully to indemnify the Agent and/or the Arranger and/or the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or any of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross and culpable negligence or dishonesty of the Agent's, the Arranger's or the Security Trustee's own officers or employees.

11 The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 10 as exceeds one-half of the amount demanded by the Agent, the Arranger or the Security Trustee in respect of a claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this

paragraph shall affect the liability of each of the Transferor and the Transferee to the Agent, the Arranger or the Security Trustee for the full amount demanded by it.

[Name of Transferor]	[Name of Transferee]
By:	By:
Date:	Date:

Agent Signed for itself and for and on behalf of itself
as Agent and for every other Relevant Party ABN AMRO Bank N.V.

By:

Date:

Administrative Details of Transferee

Name of Transferee:

Lending Office:

Contact Person (Loan Administration Department):

Telephone:

Fax:

Contact Person
(Credit Administration Department):

Telephone:

Fax:

Account for payments:

Note: This Transfer Certificate alone may not be sufficient to transfer a proportionate share of the Transferor's interest in the security constituted by the Finance Documents in the Transferor's or Transferee's jurisdiction. It is the responsibility of each Lender to ascertain whether any other documents are required for this purpose.

SCHEDULE 5

DESIGNATION NOTICE

To: ABN AMRO Bank N.V.
93 Coolsingel
3012 AE Rotterdam
The Netherlands

as Agent

Attention: Loans Administration

[●]2016

Dear Sirs

Loan Agreement dated [●] March 2016 (the "Loan Agreement") made between (i) Kaben Shipping Company Inc. and Taroa Shipping Company Inc. as joint and several Borrowers, (ii) the Lenders, (iii) the Swap Bank and (iv) yourselves as Agent, Arranger and Security Trustee.

We refer to:

1 the Loan Agreement;

2 the Master Agreement dated as of [●] 2016 made between ourselves and the Swap Bank; and

3 a Confirmation delivered pursuant to the said Master Agreement dated [●] and addressed by the Swap Bank to us.

In accordance with the terms of the Loan Agreement, we hereby give you notice of the said Confirmation and hereby confirm that the Transaction evidenced by it will be designated as a "Designated Transaction" for the purposes of the Loan Agreement and the Finance Documents.

Yours faithfully,

for and on behalf of
KABEN SHIPPING COMPANY INC. and
TAROA SHIPPING COMPANY INC.

EXECUTION PAGES

THE BORROWERS

SIGNED by	)	
Ioannis Zafirakis	)	/s/ Ioannis Zafirakis
for and on behalf of	)	
KABEN SHIPPING COMPANY INC.	)	
in the presence of:	)	
		/s/ Vassiliki Georgopoulos

SIGNED by:	)	
Ioannis Zafirakis	)	/s/ Ioannis Zafirakis
for and on behalf of	)	
TAROA SHIPPING COMPANY INC.	)	
in the presence of:	)	
		/s/ Vassiliki Georgopoulos

THE LENDERS

SIGNED by	)	
Kelina Kantzou	)	/s/ Kelina Kantzou
for and on behalf of	)	
ABN AMRO BANK N.V.	)	
in the presence of:	)	
		/s/ Kylie Gue

THE AGENT

SIGNED by	)	
Kelina Kantzou	)	/s/ Kelina Kantzou
for and on behalf of	)	
ABN AMRO BANK N.V.	)	
in the presence of:	)	
		/s/ Kylie Gue

THE ARRANGER

SIGNED by	)	
Kelina Kantzou	)	/s/ Kelina Kantzou
for and on behalf of	)	
ABN AMRO BANK N.V.	)	
in the presence of:	)	
		/s/ Kylie Gue

THE SECURITY TRUSTEE

SIGNED by	)	
Kelina Kantzou	)	/s/ Kelina Kantzou
for and on behalf of	)	
ABN AMRO BANK N.V.	)	
in the presence of:	)	
		/s/ Kylie Gue

THE SWAP BANK

SIGNED by	)	
Kelina Kantzou	)	/s/ Kelina Kantzou
for and on behalf of	)	
ABN AMRO BANK N.V.	)	
in the presence of:	)	
		/s/ Kylie Gue

Exhibit 4.27

DIANA ENTERPRISES INC.

THIS AGREEMENT dated this 1st day of April 2016 by and between Diana Shipping Inc., a Marshall Islands company having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Company") and Diana Enterprises Inc. a Marshall Islands company having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Broker").

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

1. The Company. Diana Shipping Inc. is a global provider of shipping transportation services through its ownership of dry bulk vessels. The Company's vessels are employed primarily on medium to long-term time charters and transport a range of dry bulk cargoes, including such commodities as iron ore, coal, grain and other materials along worldwide shipping routes.

2. Engagement. The Company hereby engages the Broker to act as broker for the Company and for any of its affiliated companies that own vessels managed by Diana Shipping Services S.A. as directed by the Company to assist the Company in the provision of the Services by providing to the Company or to an entity designated by the Company from time to time, brokerage services relating to the purchase, sale or chartering of vessels, brokerage services relating to the repairs and other maintenance of vessels, and any relevant consulting services permitted by Greek laws or the Broker's Law 27/1975 license (collectively the "Brokerage Services"), and the Broker hereby accepts such appointment.

3. Duration. The duration of the engagement shall be for a term of twelve (12) months commencing the 1st day of April 2016 and ending (unless terminated earlier on the basis of any other provision of this Agreement) on the 31st day of March 2017 (the said period as it may be extended being hereinafter referred to as the "Term").

4. Representations of Broker. The Broker represents that it has personnel fully qualified, without the benefit of any further training or experience and has obtained all necessary permits and licenses, to perform the Brokerage Services. The duties of the Broker shall be offered on a worldwide basis. Broker's duties and responsibilities hereunder shall always be subject to the policies and directives of the board of directors of the Company as communicated from time to time to the Broker. Subject to the above, the precise duties, responsibilities and authority of the Broker may be expanded, limited or modified, from time to time, at the discretion of the board of directors of the Company.

5. Commission. Because of their permanent relation the Company shall pay the Broker a lump sum commission in the amount of United States Dollars $150,000 per month,

starting on the 1St day of April 2016 payable quarterly in advance, subject to required deductions and withholdings. Commissions on a percentage basis for specific deals may be agreed by separate agreements in writing.

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

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

(a) At the end of the Term, unless extended by mutual agreement in writing.

(b) The parties, by mutual agreement, may terminate this Agreement at any time.

(c) Either party may terminate this Agreement for any material breach by the other party of their respective obligations under this Agreement.

8. Change of Control.

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

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

(i) acquisition by any individual, entity or group of beneficial ownership of twenty-five percent (25%) or more of either (A) the then-outstanding shares of common stock of the Company (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that this Clause 8(b)(i) shall not apply to an individual, entity or group that beneficially owns twenty-five percent (25%) or more as of the date the Company's common shares are approved for listing on the NYSE.

(ii) consummation of a reorganization, merger or consolidation of the Company or the sale or other disposition of all or substantially all of the assets of the Company and/or of the Affiliates; or

(iii) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

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

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

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

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

(c) be sent:

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

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

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

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

oral, with respect thereto.

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

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

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

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

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

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

17. **Governing Law and Jurisdiction.**

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

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

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

and year first above written.

DIANA SHIPPING INC.

/s/ Simeon Palios
By: Simeon Palios
Title: Director, Chief Executive Officer and
Chairman of the Board

DIANA ENTERPRISES INC.

/s/ Andreas Nikolaos Michalopoulos
By: Andreas Nikolaos Michalopoulos
Title: Director and Secretary

Exhibit 4.28

Dated 10 May 2016

WAKE SHIPPING COMPANY INC.
as Borrower

and

THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1
as Lenders

and

DNB BANK ASA
and
THE EXPORT-IMPORT BANK OF CHINA
as Mandated Lead Arrangers

and

DNB BANK ASA
as Agent and as Security Trustee

and

DNB BANK ASA
as Swap Bank

LOAN AGREEMENT

relating to a senior secured term loan facility of $13,510,000
to finance the acquisition cost of a bulk carrier
of approximately 76,000 deadweight tons named "MANZONI"

Index

THIS AGREEMENT is made on 10 May 2016

PARTIES

(1) **WAKE SHIPPING COMPANY INC.,** a corporation incorporated in the Republic of The Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH 96960, as **Borrower.**

(2) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as **Lenders.**

(3) **DNB BANK ASA and THE EXPORT-IMPORT BANK OF CHINA** as **Mandated Lead Arrangers;**

(4) **DNB BANK ASA,** acting through its office at 8th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF, England, as **Agent.**

(5) **DNB BANK ASA,** acting through its office at 8th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF, England, as **Security Trustee.**

(6) **DNB BANK ASA,** acting through its office at 8th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF, England, as **Swap Bank.**

BACKGROUND

(A) The Lenders have agreed to make available to the Borrower a senior secured term loan facility, in a single advance, in an amount of US$13,510,000 for the purpose of financing the acquisition cost of the Ship.

(B) The Swap Bank has agreed to enter into interest rate swap transactions with the Borrower from time to time to hedge the Borrower's exposure under this Agreement to interest rate fluctuations.

(C) The Swap Bank has agreed to share with the Lenders, on a subordinated basis, the security to be granted to the Security Trustee pursuant to this Agreement.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

Subject to Clause 1.5, in this Agreement:

"**Account Pledge**" means a pledge agreement creating security in respect of the Earnings Account in the Agreed Form;

"**Affected Lender**" has the meaning given in Clause 5.7;

"**Agency and Trust Agreement**" means the agency and trust agreement dated the same date as this Agreement and made between the same parties;

"**Agent**" means DNB Bank ASA, acting in such capacity through its office at 8th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF, England, or any successor of it appointed under clause 5 of the Agency and Trust Agreement;

"**Agreed Form**" means in relation to any document, that document in the form approved in writing by the Agent (acting on the instructions of the Majority Lenders) or as otherwise approved in accordance with any other approval procedure specified in any relevant provision of any Finance Document;

"**Approved Broker**" means, together, Clarksons Of London, Braemar Seascope of London, England, Simpson Spence & Young of London, England and Howe Robinson of London, England, Astrup Fearnley A/S of Oslo, Norway, Galbraiths Limited of London, England, Arrow Sale & Purchase (UK) Limited of London, England, Maersk Brokers K/S, and E.A. Gibson Shipbrokers of London, England and any other independent firm of shipbrokers nominated by the Borrower and approved in writing by the Agent (acting on the instructions of the Majority Lenders) in its absolute discretion always excluding any firm which becomes a Restricted Party after the date of this Agreement and, in the singular, means any of them;

"**Approved Flag**" means the flag of the Republic of the Marshall Islands, or any other flag which the Agent may, with the authorisation of all the Lenders, approve as the flag on which that Ship may be registered;

"**Approved Flag State**" means the Republic of the Marshall Islands, or any other country in which the Agent may, with the authorisation of all the Lenders, approve that the Ship may be registered;

"**Approved Manager**" means any of Diana Shipping Services S.A., a company incorporated in Panama whose registered office is at Edificio Universal, Piso 12, Avenida Federico Boyd, Panama, Republic of Panama and having an office at 16 Pentelis Street, 175 64, Palaio Faliro, Greece, or Diana Wilhelmsen Management Limited, a company incorporated in the Republic of Cyprus whose registered office is at Vasili Michailidi 21, 3026, Limassol, Cyprus or any other company which the Agent may, with the authorisation of the Lenders, approve from time to time as the commercial and/or technical manager of the Ship;

"**Approved Manager's Undertaking**" means a letter of undertaking executed or to be executed by the Approved Manager in favour of the Security Trustee in the Agreed Form agreeing certain matters in relation to the Approved Manager serving as the manager of the Ship, subordinating the rights of the Approved Manager against the Ship and the Borrower to the rights of the Creditor Parties under the Finance Documents;

"**Availability Period**" means the period commencing on the date of this Agreement and ending on:

(a) the date falling 30 days from the date of this Agreement, or such later date as the Agent may, with the authorisation of the Majority Lenders, agree with the Borrower; or

(b) if earlier, the date on which the Total Commitments are fully borrowed, cancelled or terminated;

"**Basel III**" means, together:

(a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(b) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement - Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III";

"**Borrower**" means Wake Shipping Company Inc., a corporation incorporated and existing under the laws of the Republic of the Marshall Islands having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH 96960;

"**Business Day**" means a day on which banks are open in London, Oslo, Beijing and Athens and, in respect of a day on which a payment is required to be made under the Finance Document, also in New York City;

"**C-Exim Commitment**" means an amount of $9,457,000 or the principal amount thereof for the time being outstanding under this Agreement;

"**Change of Control**" means:

(a) The occurrence of any act, event or circumstance that results in the Designated Family no longer being, either directly or indirectly, the major shareholder of the Corporate Guarantor (excluding any financial institution acting as passive investor); or

(c) either of the Designated Individuals ceasing to hold an executive position within the management structure of the Corporate Guarantor;

"**Charterparty**" means any charterparty or other contract of employment in respect of the Ship of a duration exceeding or capable of exceeding (including, without limitation, by virtue of any optional extensions) 12 months, made on terms and with a charterer in all respects acceptable to the Agent (acting on the instruction of the Lenders);

"**Charterparty Assignment**" means, in respect of a Charterparty, a deed of assignment of that Charterparty in favour of the Security Trustee in the Agreed Form;

"**Code**" means the US Internal Revenue Code of 1986 as amended from time to time;

"**Commitment**" means, in relation to a Lender, the amount set opposite its name in Schedule 1 or, as the case may require, the amount specified in the relevant Transfer Certificate, as that amount may be reduced, cancelled or terminated in accordance with this Agreement (and "**Total Commitments**" means the aggregate of the Commitments of all the Lenders);

"**Confirmation**" and "**Early Termination Date**"**,** in relation to any continuing Designated Transaction, have the meanings given in the Master Agreement;

"**Contractual Currency**" has the meaning given in Clause 21.4;

"**Contribution**" means, in relation to a Lender, the part of the Loan which is owing to that Lender;

"**Corporate Guarantee**" means the guarantee executed or to be executed by the Corporate Guarantor in favour of the Security Trustee in the Agreed Form, guaranteeing the obligations of the Borrower under this Agreement and the other Finance Documents;

"**Corporate Guarantor**" means Diana Shipping Inc., a corporation domesticated and existing under the laws of the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH 96960;

"**Creditor Party**" means the Agent, the Security Trustee, the Swap Bank, any Lender or any Mandated Lead Arranger, whether as at the date of this Agreement or at any later time;

"**Designated Family**"**,** together, each of the following:

(a) Mr Simeon Palios;

(b) all the lineal descendants in direct line of Mr Palios;

(c) a husband or wife or widower or widow of any of the above persons;

(d) the estates, trusts or legal representatives of which any of the above persons are the beneficiaries; and each company legally or beneficially owned or (as the case may be) controlled by one or more of the persons or entities which would fall within paragraphs (a) to (d) of this definition;

"**Designated Individual**" means each of Mr Simeon Palios and Mr Anastasios Margaronis;

"**Designated Transaction**" means a Transaction which fulfils the following requirements:

(a) it is entered into by the Borrower pursuant to the Master Agreement with the Swap Bank, which, at the time the Transaction is entered into, is also a Lender;

(b) its purpose is the hedging of the Borrower's exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the final Repayment Date; and

(c) it is designated by the Agent, by delivery by the Agent to the Borrower of a notice of designation as a Designated Transaction for the purposes of the Finance Documents;

"**DNB Commitment**" means an amount of $4,053,000 or the principal amount thereof for the time being outstanding under this Agreement;

"**DNB Priority Amount**" means an amount of $19,775;

"**DNB Shortfall**" means, in respect of any Excess Earnings Period, the amount (if any) by which the DNB Priority Amount exceeds the Excess Earnings for that Excess Earnings Period;

"**Dollars**" and "$" means the lawful currency for the time being of the US;

"**Drawdown Date**" means the date requested by the Borrower for the Loan to be made, or (as the context requires) the date on which the Loan is actually made;

"**Drawdown Notice**" means a notice in the form set out in Schedule 2 (or in any other form which the Agent approves or reasonably requires);

"**Earnings**" means all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower or the Security Trustee and which arise out of the use or operation of the Ship, including (but not limited to):

(a) except to the extent that they fall within paragraph (b):

(i) all freight, hire and passage moneys;

(ii) compensation payable to the Borrower or the Security Trustee in the event of requisition of the Ship for hire;

(iii) remuneration for salvage and towage services;

(iv) demurrage and detention moneys;

(v) damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of the Ship; and

(vi) all moneys which are at any time payable under Insurances in respect of loss of hire; and

(b) if and whenever the Ship is employed on terms whereby any moneys falling within paragraphs (a)(i) to (vii) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Ship;

"**Earnings Account**" means an account in the name of the Borrower with the Agent in London designated "Wake Shipping Company Inc. - Earnings Account", or any other account (with that or another office of the Agent or with a bank or financial institution other than the Agent) which is designated by the Agent as the Earnings Account for the purposes of this Agreement;

"**Environmental Claim**" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"**Environmental Incident**" means:

(a) any release of Environmentally Sensitive Material from the Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than the Ship and which involves a collision between the Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which the Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or the Ship and/or the Borrower and/or any operator or manager of the Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from the Ship and in connection with which the Ship is actually or potentially liable to be arrested and/or where the Borrower and/or any operator or manager of the Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"**Environmental Law**" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"**Environmentally Sensitive Material**" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"**Event of Default**" means any of the events or circumstances described in Clause 19.1;

"**Excess Earnings**" has the meaning given in Clause 8.3;

"**Excess Earnings Period**" means the 3-month period commencing on the Drawdown Date and each subsequent 3-month period commencing on the expiry of the preceding 3-month period (with the last such period ending on 5 April 2018);

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**Finance Documents**" means:

(a) this Agreement;

(b) the Master Agreement;

(c) the Agency and Trust Agreement;

(d) the Corporate Guarantee;

(e) the Master Agreement Assignment;

(f) the Shares Pledge;

(g) the General Assignment;

(h) the Mortgage;

(i) the Account Pledge;

(j) any Charterparty Assignment;

(k) the Approved Manager's Undertaking; and

(l) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrower, the Corporate Guarantor or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders and/or the Swap Bank under this Agreement or the Master Agreement or any of the other documents referred to in this definition;

"**Financial Indebtedness**" means, in relation to a person (the "**debtor**"**),** a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility or dematerialised equivalent made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within paragraphs (a) to (e) if the references to the debtor referred to the other person;

"**GAAP**" means, at any time, the most recent and updated generally accepted accounting principles in the US;

"**General Assignment**" means a general assignment of the Earnings, the Insurances and any Requisition Compensation in the Agreed Form;

"**Group**" means, together, the Corporate Guarantor and all its subsidiaries (including, but not limited to, the Borrower) from time to time during the Security Period and "**member of the Group**" shall be construed accordingly;

"**IACS**" means the International Association of Classification Societies;

"**Insurances**" means:

(a) all policies and contracts of insurance, including entries of the Ship in any protection and indemnity or war risks association, which are effected in respect of the Ship, the Earnings or otherwise in relation to the Ship whether before, on or after the date of this Agreement; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium and any rights in respect of any claim whether or not the relevant policy, contract of insurance or entry has expired on or before the date of this Agreement;

"**Interest Period**" means a period determined in accordance with Clause 6;

"**ISM Code**" means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time (and the terms "**safety management system**", "**Safety Management Certificate**" and "**Document of Compliance**" have the same meanings as are given to them in the ISM Code);

"**ISPS Code**" means the International Ship and Port Facility Security Code as adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time;

"**ISSC**" means a valid and current International Ship Security Certificate issued under the ISPS Code;

"**Lender**" means, subject to Clause 26.6, a bank or financial institution listed in Schedule 1 and acting through its branch indicated in Schedule 1 (or through another branch notified to the Agent under Clause 26.14) or its transferee, successor or assign;

"**Lenders' Commitment**" means each of the C-Exim Commitment and the DNB Commitment.

"**LIBOR**" means, in relation to any period for which an interest rate is to be determined under any provision of a Finance Document:

(a) the applicable Screen Rate; or

(b) if no Screen Rate is available for that period, the Reference Bank Rate;

as of in the case of paragraphs (a) and (b) above, 11 a.m. (London time) on the Quotation Date for Dollars for a period equal in length to that Interest Period and, if any such rate is below zero, LIBOR shall be deemed to be zero;

"**Loan**" means the principal amount for the time being outstanding under this Agreement;

"**Major Casualty**" means any casualty to the Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $1,000,000 or the equivalent in any other currency;

"**Majority Lenders**" means:

(a) before the Loan has been made, Lenders whose Commitments total more than 70 per cent. of the Total Commitments; and

(b) after the Loan has been made, Lenders whose Contributions total more than 70 per cent. of the Loan;

"**Mandated Lead Arrangers**" means, together, DNB Bank ASA, acting through its office at Stranden 21, P.O. Box 1171 Sentrum, N-0107 Oslo, Norway, and The Export-Import Bank of China, acting through its office at No. 30, Fuxingmen Nei Street, Xicheng District, Beijing 100031, the People's Republic of China, or any of their respective successors and, in the singular, means either of them;

"**Mandatory Cost**" means, the amount calculated by the Agent in accordance with Clause 21.9;

"**Margin**" means 3 per cent. per annum;

"**Market Value**" means the market value of the Ship determined from time to time in accordance with Clause 15.3;

"**Master Agreement**" means the master agreement (on the 2002 ISDA (Master Agreement) form and including the schedule thereto) in the Agreed Form made or to be made between the Borrower and the Swap Bank and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged under the master agreement;

"**Master Agreement Assignment**" means the assignment of the Master Agreement in favour of the Security Trustee executed or to be executed by the Borrower in the Agreed Form;

"**Material Adverse Change**" means any event or series of events or series of events which in the opinion of the Majority Lenders is likely to have a material adverse effect on:

(a) the business operations, property, condition (financial or otherwise) or prospects of any Security Party; or

(b) the ability of a Security Party to perform its obligations under a Finance Document; or

(c) the validity or enforceability of or the effectiveness or ranking of any Security Interest granted or intended to be granted pursuant to any of the Finance Documents or the rights or remedies of any Creditor Party under any of the Finance Documents;

"**Minimum Liquidity Amount**" has the meaning given in Clause 11.20;

"**Mortgage**" means the first preferred, or as the case may be, priority, ship mortgage on the Ship and, if applicable, a deed of covenant collateral thereto, in the Agreed Form;

"**Negotiation Period**" has the meaning given in Clause 5.10;

"**Notifying Lender**" has the meaning given in Clause 23.1 or Clause 24.1 as the context requires;

"**Obligor**" means together the Borrower and the Corporate Guarantor and, in the singular, means either of them;

"**Participating Member State**" means any member state of the European Union that has the euro as its lawful currency in accordance with legalisation of the European Union relating to the Economic Monetary Union.

"**Party**" means a party to a Finance Document.

"**Payment Currency**" has the meaning given in Clause 21.4;

"**Permitted Security Interests**" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) liens for salvage; and

(d) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of the Ship, provided such liens do not secure amounts more than 30 days overdue, do not exceed, at any relevant time, in aggregate, $1,000,000 (or the equivalent in any other currency or currencies) and subject, in the case of liens for repair or maintenance, to Clause 14.13 (f);

"**Pertinent Document**" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 13 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to a Servicing Bank in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"**Pertinent Jurisdiction**"**,** in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company has the centre of its main interests or in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a branch or permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company whether as a main or territorial or ancillary proceedings or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c) above;

"**Pertinent Matter**" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a), and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"**Potential Event of Default**" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Agent (acting on the instructions of the Majority Lenders) and/or the satisfaction of any other condition, would constitute an Event of Default;

"**Protected Party**" means a Creditor Party which is or will be subject to any liability, or required to make any payment. For or on account of tax in relation to sums received or receivable (or any sum deemed for the purposes of tax to be received or receivable) under a Finance Document.

"**Quotation Date**" means, in relation to any period for which an interest rate is to be determined 2 Business Days before the first day of that period, unless market practice differs in the London Interbank Market, in which case the Quotation Date will be determined by the Agent in accordance with market practice in the London Interbank Market (and if quotations would normally be given by leading banks in the London Interbank Market on more than one day, the Quotation Date will be the last of those days);

"**Reference Banks**" means, subject to Clause 26.16, the London branch of DNB Bank ASA or any of its successors and such other banks as may be appointed as Reference Banks by the Agent (acting on the instructions of the Majority Lenders) from time to time;

"**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by each Reference Bank as the rate at which the relevant Reference Bank could borrow funds in the London interbank market in Dollars for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period;

"**Relevant Person**" has the meaning given in Clause 19.9;

"**Repayment Date**" means a date on which a repayment is required to be made under Clause 8;

"**Requisition Compensation**" includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

"**Restricted Party**" means a person:

(a) that is listed on any Sanctions List (whether designated by name or by reason of being included in a class of person);

(b) that is domiciled, registered as located or having its main place of business in, or is incorporated under the laws of, a country or territory that is the target of country-wide or territory-wide Sanctions; or

(c) that is directly or indirectly owned or controlled by a person referred to in (a) and/or (b) above; or

(d) with whom a subject of a Sanctions Authority would be prohibited or restricted by law from engaging into trade business or other activities;

"**Sanctions**" means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by:

(a) the Norwegian Government;

(b) the United States Government;

(c) the United Nations;

(d) the European Union;

(e) the United Kingdom, and with regard to (a) - (e) above, the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Office of Foreign Assets Control of the US Department of Treasury ("OFAC"), the United States Department of State, and Her Majesty's Treasury ("HMT") (together the "**Sanctions Authorities**")**.**

"**Sanctions List**" means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC, the "Consolidated List of Financial Sanctions Targets" maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities, including, but not limited to, the Norwegian Government, the European Union and/or the United Nations.

"**Screen Rate**" means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that role) for Dollars for the relevant period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters. If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Borrower;

"**Secured Liabilities**" means all liabilities which the Borrower, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or any judgment relating to any Finance Document; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"**Security Interest**" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action in rem; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"**Security Party**" means the Corporate Guarantor, the Approved Manager and any other person (except a Creditor Party) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "Finance Documents";

"**Security Period**" means the period commencing on the date of this Agreement and ending on the date on which the Agent notifies the Borrower, the Security Parties and the other Creditor Parties that:

(a) all amounts which have become due for payment by the Borrower or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) neither the Borrower nor any Security Party has any future or contingent liability under Clause 20, 21 or 22 or any other provision of this Agreement or another Finance Document; and

(d) the Agent, the Security Trustee, the Mandated Lead Arrangers and the Majority Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of the Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

"**Security Trustee**" means DNB Bank ASA acting in such capacity through its office at 8th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF, England or any successor of it appointed under clause 5 of the Agency and Trust Agreement;

"**Servicing Bank**" means the Agent or the Security Trustee;

"**Shares Pledge**" means a deed creating security over the share capital of the Borrower executed or to be executed by the Corporate Guarantor in the Agreed Form;

"**Ship**" means the 2013-built bulk carrier of approximately 76,000 deadweight tons currently registered in the ownership of the Borrower under the Maltese flag in accordance with the laws of Malta with the name "MANZONI";

"**Swap Bank**" means DNB Bank ASA, acting in such capacity through its office at 8th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF, England, or its successor or assign;

"**Swap Exposure**" means, as at any relevant date the amount certified by the Swap Bank to the Agent to be the aggregate net amount in Dollars which would be payable by the Borrower to the Swap Bank under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Designated Transactions;

"**Tax Deduction**" means a deduction or withholding for or on account of tax from a payment under a Finance Document, other than a FATCA Deduction.

"**Tax Payment**" means either the increase in a payment made by an Obligor to a Creditor Party under Clause 22.2 *(Tax gross-up)* or a payment under Clause 21.7 *(Tax indemnity)*.

"**Total Loss**" means:

(a) actual, constructive, compromised, agreed or arranged total loss of the Ship;

(b) any expropriation, confiscation, requisition or acquisition of the Ship whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension), unless it is within 1 month redelivered to the Borrower's full control;

(c) any condemnation of the Ship by any tribunal or by any person or persons claiming to be a tribunal; and

(d) any arrest, capture, seizure or detention of the Ship (including any hijacking, or theft) unless it is within 1 month redelivered to the Borrower's full control of the Borrower;

"**Total Loss Date**" means:

(a) in the case of an actual loss of the Ship, the date on which it occurred or, if that is unknown, the date when the Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of the Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower with the Ship's insurers in which the insurers agree to treat the Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Agent that the event constituting the total loss occurred;

"**Transaction**" has the meaning given in the Master Agreement;

"**Transfer Certificate**" has the meaning given in Clause 26.2 and means a certificate in the form set out in Schedule 4;

"**Trust Property**" has the meaning given in clause 3.1 of the Agency and Trust Agreement; and

"**US**" means the United States of America.

1.2 Construction of certain terms

In this Agreement:

"**administration notice**" means a notice appointing an administrator, a notice of intended appointment and any other notice which is required by law (generally or in the case concerned) to be filed with the court or given to a person prior to, or in connection with, the appointment of an administrator;

"**approved**" means, for the purposes of Clause 13, approved in writing by the Agent;

"**asset**" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"**company**" includes any partnership, joint venture and unincorporated association;

"**consent**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"**contingent liability**" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"**document**" includes a deed; also a letter or fax;

"**excess risks**" means the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of the Ship in consequence of its insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"**expense**" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"**law**" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or of its Security Council;

"**legal or administrative action**" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"**liability**" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"**months**" shall be construed in accordance with Clause 1.3,

"**obligatory insurances**" means all insurances effected, or which the Borrower, is obliged to effect, under Clause 13 or any other provision of this Agreement or another Finance Document;

"**parent company**" has the meaning given in Clause 1.4;

"**person**" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"**policy**"**,** in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"**protection and indemnity risks**" means the usual risks covered by a protection and indemnity association, which is a member of the International Group of Protection and Indemnity Associations, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hulls) (1/11/95) or clause 8 of the Institute Time Clauses (Hulls) (1/10/83) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"**regulation**" includes any regulation, rule, official directive, request or guideline whether or not having the force of law of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation.

"**subsidiary**" has the meaning given in Clause 1.4;

"**tax**" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"**war risks**" includes the risk of mines and all risks excluded by clause 29 of the International Hull Clauses (1/11/02 or 1/11/03), clause 0 of the Institute Time Clauses (Hulls) (1/11/95) or clause 23 of the Institute Time Clauses (Hulls) (1/10/83).

1.3 Meaning of "month"

A period of one or more "months" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (**"the numerically corresponding day"**)**,** but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day, and "**month**" and "**monthly**" shall be construed accordingly.

1.4 Meaning of "subsidiary"

A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of 5; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of 5; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P, and any company of which S is a subsidiary is a parent company of S.

1.5 General Interpretation

In this Agreement:

(a) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(b) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(c) words denoting the singular number shall include the plural and vice versa; and

(d) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

1.6 Headings

In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

2. FACILITY

2.1 Amount of facility

Subject to the other provisions of this Agreement, the Lenders shall make available to the Borrower a senior secured term loan facility, in a single advance, in an amount of $13,510,000.

2.2 Lenders' participations in Loan

Subject to the other provisions of this Agreement, each Lender shall participate in the Loan in the proportion which, as at the Drawdown Date, its Commitment bears to the Total Commitments.

2.3 Purpose of Loan

The Borrower undertakes with each Creditor Party to use the Loan only for the purpose stated in the preamble to this Agreement.

3. POSITION OF THE LENDERS AND THE SWAP BANK

3.1 Interests of Lenders and Swap Bank several

The rights of the Lenders and of the Swap Bank under this Agreement and under the Master Agreement are several.

3.2 Individual Lender's or Swap Bank's right of action

Each Lender and the Swap Bank shall be entitled to sue for any amount which has become due and payable by the Borrower to it under this Agreement or under the Master Agreement without joining the Agent, the Security Trustee or any other Lender as additional parties in the proceedings.

3.3 Proceedings by individual Lender or Swap Bank requiring Majority Lenders' consent

Except as provided in Clause 3.2, no Lender and no Swap Bank may commence proceedings against the Borrower or any Security Party in connection with a Finance Document without the prior consent of the Majority Lenders.

3.4 Obligations of Lenders and Swap Bank several

The obligations of the Lenders and the Swap Bank under this Agreement and of the Swap Bank under the Master Agreement are several; and a failure of a Lender or the Swap Bank to perform its obligations under this Agreement or of the Swap Bank to perform its obligations under the Master Agreement shall not result in:

(a) the obligations of the other Lenders or (as the case may be) the Swap Bank being increased; nor

(b) the Borrower, any Security Party or any other Lender or the Swap Bank being discharged (in whole or in part) from its obligations under any Finance Document, and in no circumstances shall a Lender or the Swap Bank have any responsibility for a failure of another Lender or the Swap Bank to perform its obligations under this Agreement or under the Master Agreement.

4. DRAWDOWN

4.1 Request for advance of Loan

Subject to the following conditions, the Borrower may request the Loan to be made by ensuring that the Agent receives a completed Drawdown Notice not later than 10.00 a.m. (London time) 1 Business Day prior to the intended Drawdown Date.

4.2 Availability

The conditions referred to in Clause 4.1 are that:

(a) the Drawdown Date has to be a Business Day during the Availability Period;

(b) the amount of the Loan shall not exceed the amount of $13,510,000, and shall be used in financing the acquisition cost of the Ship; and

(c) the Loan shall not exceed the Total Commitments.

4.3 Notification to Lenders of receipt of a Drawdown Notice

The Agent shall promptly notify the Lenders (and, in the case of The Export-Import Bank of China only, such notification shall be sent by the Agent via SWIFT message) that it has received a Drawdown Notice and shall inform each Lender of:

(a) the amount of the Loan and the Drawdown Date;

(b) the amount of that Lender's participation in the Loan; and

(c) the duration of the first Interest Period.

4.4 Drawdown Notice irrevocable

A Drawdown Notice must be signed by an officer or other authorised person of the Borrower; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Agent, acting on the authority of the Majority Lenders.

4.5 Lenders to make available Contributions

Subject to the provisions of this Agreement, each Lender shall, on and with value on the Drawdown Date, make available to the Agent for the account of the Borrower the amount due from that Lender under Clause 2.2.

4.6 Disbursement of Loan

Subject to the provisions of this Agreement, the Agent shall on the Drawdown Date pay to the Borrower the amounts which the Agent receives from the Lenders under Clause 4.5; and that payment to the Borrower shall be made:

(a) to the account which the Borrower specifies in the Drawdown Notice; and

(b) in the like funds as the Agent received the payments from the Lenders.

4.7 Disbursement of Advance to third party

The payment by the Agent under Clause 4.6 shall constitute the making and borrowing of an Advance and the Borrower shall at that time become indebted, as principal and direct obligor, to each Lender in an amount equal to that Lender's Contribution.

5. INTEREST

5.1 Payment of normal interest

Subject to the provisions of this Agreement, interest on the Loan in respect of each Interest Period shall be paid by the Borrower on the last day of that Interest Period.

5.2 Normal rate of interest

Subject to the provisions of this Agreement, the rate of interest on the Loan in respect of an Interest Period shall be the aggregate of (i) the Margin, (ii) the Mandatory Cost (if any) and (iii) LIBOR for that Interest Period.

5.3 Payment of accrued interest

In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

5.4 Notification of Interest Periods and rates of normal interest

The Agent shall notify the Borrower and each Lender of:

(a) each rate of interest; and

(b) the duration of each Interest Period,

as soon as reasonably practicable after each of (a) and (b) is determined.

5.5 Obligation of Reference Banks to quote

A Reference Bank which is a Lender shall use all reasonable efforts to supply the quotation required of it for the purposes of fixing a rate of interest under this Agreement.

5.6 Absence of quotations by Reference Banks

If any Reference Bank fails to supply a quotation, the Agent shall determine the relevant LIBOR on the basis of the quotations supplied by the other Reference Bank or Banks; but if one of the Reference Banks fail to provide a quotation, the relevant rate of interest shall be set in accordance with the following provisions of this Clause 5.

5.7 Market disruption

The following provisions of this Clause 5 apply if:

(a) no screen rate is quoted in the Screen Rate and the Reference Bank does not, before 1.00 p.m. (London time) on the Quotation Date, provide quotations to the Agent in order to fix LIBOR; or

(b) at least 1 Business Day before the start of an Interest Period, Lenders having Contributions together amounting to 30 per cent. or more of the Loan (or, if the Loan has not been made, Commitments amounting to 30 per cent. or more of the Total Commitments) notify the Agent that LIBOR fixed by the Agent would not accurately reflect the cost to those Lenders of funding their respective Contributions (or any part of them) during the Interest Period in the London Interbank Market at or about 11.00 a.m. (London time) on the Quotation Date for the Interest Period; or

(c) at least 1 Business Day before the start of an Interest Period, the Agent is notified by a Lender (the "**Affected Lender**"**)** that for any reason it is unable to obtain Dollars in the London Interbank Market in order to fund its Contribution (or any part of it) during the Interest Period.

5.8 Notification of market disruption

The Agent shall promptly notify the Borrower and each of the Lenders and the Swap Bank stating the circumstances falling within Clause 5.7 which have caused its notice to be given.

5.9 Suspension of drawdown

If the Agent's notice under Clause 5.8 is served before the Loan is advanced:

(a) in a case falling within Clauses 5.7(a) or 5.7(b), the Lenders' obligations to advance the Loan; and

(b) in a case falling within Clause 5.7(c), the Affected Lender's obligation to participate in the Loan,

shall be suspended while the circumstances referred to in the Agent's notice continue.

5.10 Negotiation of alternative rate of interest

If the Agent's notice under Clause 5.8 is served after the Loan is borrowed, the Borrower, the Agent, the Lenders or (as the case may be) the Affected Lender and the Swap Bank shall use reasonable endeavours to agree, within 30 days after the date on which the Agent serves its notice under Clause 5.8 (the "**Negotiation Period**"**),** an alternative interest rate or (as the case may be) an alternative basis for the Lenders or (as the case may be) the Affected Lender to fund or continue to fund their or its Contribution during the Interest Period concerned.

5.11 Application of agreed alternative rate of interest

Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

5.12 Alternative rate of interest in absence of agreement

If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Agent shall, with the agreement of each Lender or (as the case may be) the Affected Lender, set an interest period and interest rate representing the cost of funding of the Lenders or (as the case may be) the Affected Lender in Dollars or in any available currency of their or its Contribution plus the Margin; and the procedure provided for by this Clause 5.12 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Agent.

5.13 Notice of prepayment

If the Borrower does not agree with an interest rate set by the Agent under Clause 5.12, the Borrower may give the Agent not less than 15 Business Days' notice of its intention to prepay the Loan at the end of the interest period set by the Agent.

5.14 Prepayment; termination of Commitments

A notice under Clause 5.13 shall be irrevocable; the Agent shall promptly notify the Lenders or (as the case may require) the Affected Lender of the Borrower's notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Total Commitments or (as the case may require) the Commitment of the Affected Lender shall be cancelled; and

(b) on the last Business Day of the interest period set by the Agent, the Borrower shall prepay (without premium or penalty) the Loan or, as the case may be, the Affected Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

5.15 Interest rate hedging

The Borrower may, subject to the execution of the Master Agreement, or the Master Agreement Assignment and any other related documentation acceptable to the Borrower and the Swap Bank, at any time during the Security Period, request that the Swap Bank enter into Transactions to hedge the Borrower's exposure under this Agreement to interest rate fluctuations for a period of not less than 12 months.

6. INTEREST PERIODS

6.1 Commencement of Interest Periods

The first Interest Period shall commence on the Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

6.2 Duration of normal Interest Periods

Subject to Clauses 6.3 and 6.4, each Interest Period shall be:

(a) 3 months; or

(b) such other period as the Agent may, with the authorisation of the Majority Lenders, agree with the Borrower as notified by the Borrower to the Agent not later than 10.00 a.m. (London time) 3 Business Days before the commencement of the Interest Period.

6.3 Duration of Interest Periods for Repayment Instalments

In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

6.4 Non-availability of matching deposits for Interest Period selected

If, after the Borrower has selected and the Lenders have agreed an Interest Period longer than 3 months, any Lender notifies the Agent by 11.00 a.m. (London time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 3 months.

7. DEFAULT INTEREST

7.1 Payment of default interest on overdue amounts

The Borrower shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by the Borrower under any Finance Document which the Agent, the Security Trustee or the other designated payee does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 19.4, the date on which it became immediately due and payable.

7.2 Default rate of interest

Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at paragraphs (a) and (b) of Clause 7.3; or

(b) in the case of any other overdue amount, the rate set out at paragraph (b) of Clause 7.3.

7.3 Calculation of default rate of interest

The rates referred to in Clause 7.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the aggregate of the Margin and the Mandatory Cost (if any) plus, in respect of successive periods of any duration (including at call) up to 3 months which the Agent may select from time to time:

(i) LIBOR; or

(ii) if the Agent (after consultation with the Reference Banks) determines that Dollar deposits for any such period are not being made available to any Reference Bank by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Agent by reference to the cost of funds to the Reference Banks from such other sources as the Agent (after consultation with the Reference Banks) may from time to time determine.

7.4 Notification of Interest Periods and default rates

The Agent shall promptly notify the Lenders and the Borrower of each interest rate determined by the Agent under Clause 7.3 and of each period selected by the Agent for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrower is liable to pay such interest only with effect from the date of the Agent's notification.

7.5 Payment of accrued default interest

Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined; and the payment shall be made to the Agent for the account of the Creditor Party to which the overdue amount is due.

7.6 Compounding of default interest

Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

7.7 Application to Master Agreement

For the avoidance of doubt this Clause 7 does not apply to any amount payable under the Master Agreement in respect of any continuing Designated Transaction as to which section 9(h) (Interest and Compensation) of the Master Agreement shall apply.

8. REPAYMENT AND PREPAYMENT

8.1 Amount of Repayment Instalments

The Borrower shall repay:

(a) the C-Exim Commitment by:

(i) 11 consecutive quarterly instalments, the first 7 (the "**7 C-Exim Repayment Instalments**") of which shall be in the amount of $19,775 each and the next 4 of which shall be in the amount of $197,750 each (each a "**C-Exim Repayment Instalment**" and together the "**C-Exim Repayment Instalments**"); and

(ii) a balloon instalment in the amount of $8,527,575 (the "**C-Exim Balloon Instalment**"**);** and

(b) subject to Clause 8.3, the DNB Commitment by:

(i) 4 equal consecutive quarterly instalments in the amount of $84,750 each (each a "**DNB Repayment Instalment**" and together the "**DNB Repayment Instalments**" and together with the C-Exim Repayment Instalments, the "**Repayment Instalments**" and each a "**Repayment Instalment**"**);** and

(ii) a balloon instalment in the amount of $3,714,000 (the "**DNB Balloon Instalment**" and together with the C-Exim Balloon Instalment, the "**Balloon Instalments**" and each a "**Balloon Instalment**"**),**

Provided that if the amount of the Loan drawndown hereunder is less than $13,510,000, the amount of each of the Repayment Instalments and each of the Balloon Instalments shall be reduced by an amount equal to the undrawn amount on a pro rata basis.

8.2 Repayment Dates

The first Repayment Instalment shall in respect of the C-Exim Commitment be repaid on 5 July 2016 with the remaining Repayment Instalments in respect of the C-Exim Commitment to be repaid at 3-monthly intervals thereafter. The first Repayment Instalment in respect of the DNB Commitment shall be repaid on 5 April 2018 with the remaining Repayment Instalments in respect of the DNB Commitment to be repaid at 3-monthly intervals thereafter and the last Repayment Instalment together with the Balloon Instalments in respect of each of the C-Exim Commitment and the DNB Commitment shall be paid on the date falling on 4 January 2019.

8.3 Prepayment out of Excess Earnings

If in any Excess Earnings Period the Agent determines (on the basis of a detailed written calculation provided by the Borrower in a form acceptable to the Agent duly certified as to its correctness by the chief financial officer of the Corporate Guarantor) within 5 days after the end of the relevant Excess Earnings Period each an "**Excess Cash Calculation Date**" that the aggregate of the daily Earnings of the Ship for such Excess Earnings Period exceeds the aggregate of:

(a) the aggregate expenditure necessarily incurred during such Excess Earnings Period by the Borrower in operating, insuring, maintaining, repairing and generally trading the Ship (including, but not limited to, any expenses in respect of dry-docking, special survey and general and administrative expenses paid in respect of the Ship during that Excess Earnings Period any anticipated voyage expenses, as well as any other capitalised expenses as same are defined as per GAAP); and

(b) the aggregate amount of principal and any accrued interest in respect of the Loan paid pursuant to this Agreement during such Excess Earnings Period,

then the Borrower shall ensure there is transferred within 5 days of each Excess Cash Calculation Date to the Earnings Account an amount equal to such excess (the "**Excess Earnings**"**),** up to the aggregate amount of $1,839,075, towards partial prepayment of the Loan (and the Borrower hereby irrevocably and unconditionally authorises the Agent to make such application) in the following manner:

(i) FIRST: the aggregate of the DNB Priority Amount for that Excess Earnings Period and any DNB Shortfall Amount(s) from any previous Excess Earnings Period(s) shall be applied against the DNB Commitment; and

(ii) SECONDLY: any surplus shall be applied against the Loan pro rata to each Lender's Contribution.

Each partial prepayment made under this Clause 8.3 shall be applied, if against:

(i) the DNB Commitment, in inverse order of maturity, first against the DNB Balloon Instalment and then the DNB Repayment Instalments then outstanding; and

(ii) the C-EXIM Commitment, in order of maturity first against the then outstanding 7 C-Exim Repayment Instalments and thereafter against the C-Exim Balloon Instalment.

8.4 Final Repayment Date

On the final Repayment Date, the Borrower shall additionally pay to the Agent for the account of the Creditor Parties all other sums then accrued or owing under any Finance Document.

8.5 Voluntary prepayment

Subject to the following conditions, the Borrower may prepay the whole or any part of the Loan on the last day of an Interest Period.

8.6 Conditions for voluntary prepayment

The conditions referred to in Clause 8.5 are that:

(a) a partial prepayment shall be in an amount not less than $500,000 or an integral multiple thereof;

(b) the Agent has received from the Borrower at least 10 Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrower has provided evidence satisfactory to the Agent that any consent required by the Borrower or any Security Party in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affects the Borrower or any Security Party has been complied with.

8.7 Effect of notice of prepayment

A prepayment notice may not be withdrawn or amended without the consent of the Agent, given with the authorisation of the Majority Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrower on the date for prepayment specified in the prepayment notice.

8.8 Notification of notice of prepayment

The Agent shall notify the Lenders promptly upon receiving a prepayment notice, and shall provide any Lender which so requests with a copy of any document delivered by the Borrower under Clause 8.6(c).

8.9 Mandatory prepayment

The Borrower shall be obliged to prepay the whole of the Loan and to comply with Clause 8.14, if the Ship is sold or becomes a Total Loss:

(a) in the case of a sale, on or before the date on which the sale is completed by delivery of the Ship to the buyer; or

(b) in the case of a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss.

8.10 Amounts payable on prepayment

A prepayment shall be made together with accrued interest (and any other amount payable under Clause 21 or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 21.1(b) but without premium or penalty.

8.11 Application of prepayment

Each partial prepayment shall be applied if made pursuant to Clause 8.6, proportionately between each Lenders' Commitment, in inverse order of maturity, first against the Balloon Instalments and then against the then outstanding Repayment Instalments.

8.12 Prepayment; termination of Commitment

A notice under Clause 24.5 shall be irrevocable; the Agent shall promptly notify the Notifying Lender of the Borrower's notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

8.13 No reborrowing

No amount repaid or prepaid may be reborrowed.

8.14 Unwinding of Designated Transactions

On or prior to any repayment or prepayment of the Loan or any part thereof under this Clause 8 or any other provision of this Agreement, the Borrower shall wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions so that the notional principal 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 thereafter pursuant to Clause 8.1.

9. CONDITIONS PRECEDENT

9.1 Documents, fees and no default

Each Lender's obligation to contribute to the Loan is subject to the following conditions precedent:

(a) that on or before the date of this Agreement, the Agent receives:

(i) the documents described in Part A of Schedule 3 in a form and substance satisfactory to the Agent and its lawyers; and

(ii) payment in full of any expenses payable pursuant to Clause 20.1;

(b) that, on or before the Drawdown Date but prior to the advance of the Loan, the Agent receives:

(i) the documents described in Part B of Schedule 3 in form and substance satisfactory to the Agent and its lawyers;

(ii) payment of all fees payable pursuant to Clause 20.1; and (Hi) payment in full of any expenses payable pursuant to Clause 20.1;

(c) that at the date of the Drawdown Notice and at the Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred or would result from the borrowing of the Loan (other than in connection with Clause 15.1);

(ii) the representations and warranties in Clause 10 and those of the Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing;

(iii) none of the circumstances contemplated by Clause 5.7 has occurred and is continuing;

(iv) there has been no Material Adverse Change; and

(d) that the Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Agent may, with the authorisation of the Majority Lenders, request by notice to the Borrower prior to the Drawdown Date.

10. REPRESENTATIONS AND WARRANTIES

10.1 General

The Borrower represents and warrants to each Creditor Party as follows.

10.2 Status

The Borrower is duly incorporated and validly existing and in good standing under the laws of the Republic of the Marshall Islands.

10.3 Share capital and ownership

The Borrower is authorised to issue 500 registered shares with a par value of $0.01 each, all of which shares have been issued fully paid, and the legal title and beneficial ownership of all those shares is held, free of any Security Interest or other claim, by the Corporate Guarantor.

10.4 Corporate power

The Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to execute the Finance Documents to which the Borrower is a party;

(b) to borrow under this Agreement to enter into Designated Transactions under the Master Agreement and to make all the payments contemplated by, and to comply with, the Finance Documents to which the Borrower is a party and the Master Agreement; and

(c) to register the Ship in its ownership under the Marshall Islands Flag.

10.5 Consents in force

All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

10.6 Legal validity; effective Security Interests

The Finance Documents to which the Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the Borrower's legal, valid and binding obligations enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate, subject to any relevant insolvency laws affecting creditors' rights generally.

10.7 No third party Security Interests

Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Finance Document:

(a) the Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

10.8 No conflicts

The execution by the Borrower of each Finance Document to which it is a party and the borrowing by the Borrower of the Loan, and its compliance with each Finance Document to which it is a party will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrower; or

(c) any contractual or other obligation or restriction which is binding on the Borrower or any of its assets.

10.9 No withholding taxes

All payments which the Borrower is liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

10.10 No default

No Event of Default has occurred and is continuing.

10.11 Information

All information which has been provided in writing by or on behalf of the Borrower or any Security Party to any Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 11.7, and there has been no material adverse change in the financial position or state of affairs of the Borrower from that disclosed in the latest of those accounts.

10.12 No litigation

No legal or administrative action (including, but not limited to, investigative proceedings) involving the Borrower or any Security Party (including action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to the Borrower's knowledge, is likely to be commenced or taken; which would be likely to have a material adverse effect on the Borrower's financial position or profitability.

10.13 Compliance with certain undertakings

At the date of this Agreement, the Borrower is in compliance with Clauses 11.2, 11.4, 11.9 and 11.12.

10.14 Taxes paid

The Borrower has paid all taxes applicable to, or imposed on or in relation to it, its business or the Ship.

10.15 ISM Code, ISPS Code Compliance and Environmental Laws

All requirements of the ISM Code, the ISPS Code and Environmental Laws as they relate to the Borrower, the Approved Manager and **the** Ship have been complied with.

10.16 No immunity

Neither the Borrower, nor any of its 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).

10.17 Material adverse change

There has been no material adverse change in the financial condition of the Group which will affect the ability of any Borrower and/or any Security Party to discharge any of their respective obligations and liabilities under this Agreement and the other Finance Documents to which it is a party in a timely manner.

10.18 Solvency

The Borrower is not insolvent nor is it in voluntary arrangement, liquidation or administration or subject to any other insolvency procedure, and no receiver, administrative receiver, administrator, liquidator, trustee or analogous officer has been appointed in respect of that Borrower or all or any part of its assets (and, for the purposes of this Clause 10.18, the Borrower will be deemed insolvent if it is unable to pay its debts within the meaning of s.123 of the Insolvency Act 1986).

10.19 No Money laundering

Without prejudice to the generality of Clause 2.3, in relation to the borrowing by the Borrower of the Loan, the performance and discharge of the Borrower's obligations and

liabilities under the Finance Documents, and the transactions and other arrangements affected or contemplated by the Finance Documents to which the Borrower is a party, the Borrower confirms (i) that it is acting for its own account; (ii) that it will use the proceeds of the Loan for its own and, as the case may be and subject always to Clause 12.3(d), Group's benefit, under its full responsibility and exclusively for the purposes specified in this Agreement; and (iii) that the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council).

10.20 Sanctions

No Obligor, nor any of their joint ventures, nor any of their respective directors, officers, employees, agents or representatives or any other persons acting on any of their behalf:

(a) is a Restricted Party; or

(b) has received notice of or is aware of any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.

11. GENERAL UNDERTAKINGS

11.1 General

The Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

11.2 Title and negative pledge

The Borrower will:

(a) hold the legal title to, and own the entire beneficial interest in the Ship, the Insurances and Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents and the effect of assignments contained in the Finance Documents; and

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future including, but not limited to, the Borrower's rights against the Swap Bank under the Master Agreement or all or any part of the Borrower's interest in any amount payable to the Borrower by the Swap Bank under the Master Agreement.

11.3 No disposal of assets

The Borrower will not transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation, but paragraph (a) does not apply to any charter of the Ship as to which Clause 14.13 applies.

11.4 No other liabilities or obligations to be incurred

The Borrower will not incur any liability or obligation except:

(a) liabilities and obligations under the Finance Documents to which it is a party;

(b) liabilities or obligations reasonably incurred in the ordinary course of owning, operating and chartering the Ship; and

(c) pursuant to any intra-group loans, **provided that** such loans are documented on terms acceptable to the Lenders and then only to the extent that they are subject to such subordination and other documentation as the Agent may require.

11.5 Information provided to be accurate

All financial and other information which is provided in writing by or on behalf of the Borrower under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

11.6 Provision of financial statements

The Borrower will send to the Agent:

(a) as soon as possible, but in no event later than 180 days after the end of each financial year of the Corporate Guarantor (commencing with the financial year ended on 31 December 2015), the annual audited consolidated financial statements of the Group;

(b) as soon as possible, but in no event later than 90 days after the end of each 6-month period in each financial year of the Corporate Guarantor ending on 30 June and 31 December (commencing with the 6-month period ending on 30 June 2016), the unaudited semi-annual consolidated financial statements of the Group (in the form published in the relevant press release) for that 6-month period certified as to their correctness by the chief financial officer of the Corporate Guarantor; and

(c) promptly after each request by the Agent, such further financial information about the Borrower, the Ship, any Security Party or the Group or any member thereof as the Agent may require.

11.7 Form of financial statements

All financial statements (audited and unaudited) delivered under Clause 11.6 will:

(a) be prepared in accordance with all applicable laws and GAAP consistently applied;

(b) give a true and fair view of the state of affairs of the Borrower and the Corporate Guarantor thereof at the date of those financial statements and of its profit for the period to which those financial statements relate; and

(c) fully disclose or provide for all significant liabilities of the Borrower and the Corporate Guarantor.

11.8 Shareholder and creditor notices

The Borrower will send the Agent, at the same time as they are despatched, copies of all communications which are despatched to the Borrower's shareholders or creditors or any class of them.

11.9 Consents

The Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Agent of, all consents required:

(a) for the Borrower to perform its obligations under any Finance Document;

(b) for the validity or enforceability of any Finance Document; and

(c) for the Borrower to continue to own and operate the Ship, and the Borrower will comply with the terms of all such consents.

11.10 Maintenance of Security Interests

The Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) above, at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Majority Lenders, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

11.11 Notification of litigation

The Borrower will provide the Agent with details of any legal or administrative action involving the Borrower, any Security Party, the Approved Manager, the Ship, the Earnings or the Insurances as soon as such action is instituted or it becomes apparent to the Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

11.12 Principal place of business

No Borrower will establish, or do anything as a result of which it would be deemed to have, a place of business in England or the United States of America.

11.13 Confirmation of no default

The Borrower will, within 5 Business Days after service by the Agent of a written request, serve on the Agent a notice which is signed by an officer of the Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

The Agent may serve requests under this Clause 11.12 from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10 per cent. of the Loan or (if the Loan has not been made) Commitments exceeding 10 per cent. of the Total Commitments; and this Clause 11.12 does not affect the Borrower's obligations under Clause 11.13.

11.14 Notification of default

The Borrower will notify the Agent as soon as the Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will keep the Agent fully up-to-date with all developments.

11.15 Use of proceeds

No proceeds of the Loan shall be made available, directly or indirectly, to or for the benefit of a Restricted Party nor shall they otherwise be applied in a manner or for a purpose prohibited by Sanctions Laws including, but not limited to, in using any benefits of any money, proceeds or services provided by, or received from, the Lenders under this Agreement, in business activities (including, but not limited to, entering into any ship finance acquisition agreement, ship refinancing agreement or charter agreement relating to a vessel, project or asset) subject to Sanctions Laws or related to a Restricted Country and/or a Restricted Party.

11.16 Sanctions

(a) Each Obligor shall ensure that no part of the proceeds of the Loan or other transaction(s) contemplated by any Finance Document shall, directly or indirectly, be used or otherwise made available:

(i) to fund any trade, business or other activity involving any Restricted Party;

(ii) for the direct or indirect benefit of any Restricted Party; or

(iii) in any other manner that would reasonably be expected to result in (A) the occurrence of an Event of Default under Clause 19.1(n), or (B) any Party (other than the Obligors) any other person being party to or which benefits from any Finance Document being in breach of any Sanctions (if and to the extent applicable to either of them) or becoming a Restricted Party.

(b) Each Obligor shall ensure that its assets (including the Ship) shall not be used directly or indirectly:

(i) by or for the direct or indirect benefit of any Restricted Party; or

(ii) in any trade which is prohibited under applicable Sanctions or which could expose any Obligor, its assets (including the Ship), any Creditor Party and any other person being party to or which benefits from any Finance Document or the insurers to enforcement proceedings or any other consequences whatsoever arising from Sanctions.

(c) Each Obligor shall ensure that the Ship shall not carry out any trade to Iranian ports or carry or store/warehouse crude oil, petroleum products or petrochemical products or other products subject to Sanctions if they originate in Iran, or are being exported from Iran to any other country.

(d) For the avoidance of any doubt, in circumstances where the relevant Approved Flag State in respect of the Ship is likely to be deemed a Restricted Party (in the opinion of the Agent) during the Security Period, the Borrower shall not be in breach of this Clause 11.16 if the conditions for changing the Approved Flag State pursuant to Clause 14.2 are capable of being satisfied by the Borrower prior to the relevant Approved Flag State becoming a Restricted Party for the purposes of any applicable Sanctions.

11.17 Provision of further information

The Borrower will, as soon as practicable after receiving the request, provide the Agent with any additional financial or other information relating:

(a) to the Borrower, the Ship, the Insurances, the Earnings, the Corporate Guarantor or the Approved Manager;

(b) to any other matter relevant to, or to any provision of, a Finance Document, which may be requested by the Agent, the Security Trustee, the Swap Bank or any Lender at any time.

11.18 Provision of copies and translation of documents

The Borrower will supply the Agent with a sufficient number of copies of the documents referred to above to provide 1 copy for each Creditor Party; and if the Agent so requires in respect of any of those documents, the Borrower will provide a certified English translation prepared by a translator approved by the Agent.

11.19 "Know your customer" checks

If:

(a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(b) any change in the status of the Borrower or any Security Party after the date of this Agreement; or

(c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer, obliges the Agent or any Lender (or, in the case of paragraph (c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Agent, the Lender concerned or, in the case of the event described in paragraph (c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

11.20 Minimum liquidity

The Borrower will maintain to the credit of the Earnings Account as from the Drawdown Date and at all times thereafter during the Security Period an amount of not less than $400,000 (the "**Minimum Liquidity Amount**"**).**

12. CORPORATE UNDERTAKINGS

12.1 General

The Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit in writing.

12.2 Maintenance of status

The Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Republic of the Marshall Islands.

12.3 Negative undertakings

The Borrower will not, unless consent is given by all Lenders:

(a) change the course of its business other than the ownership, chartering and operation of the Ship; or

(b) pay any dividend or make any other form of distribution; or

(c) effect any form of redemption, purchase or return of share capital; or

(d) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in the Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Borrower than those which it could obtain in a bargain made at arms' length; or

(e) open or maintain any account with any bank or financial institution except accounts with the Agent and the Security Trustee for the purposes of the Finance Documents; or

(f) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital; or

(g) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative other than the Designated Transactions under the Master Agreement; or

(h) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation.

13. INSURANCE

13.1 General

The Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 13 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit in writing.

13.2 Maintenance of obligatory insurances

The Borrower shall keep the Ship insured at the expense of the Borrower against:

(a) fire and usual marine risks (including hull and machinery and excess risks); and

(b) war risks (including acts of terrorism and piracy); and

(c) protection and indemnity risks (including maximum cover for pollution liability); and

(d) any other risks against which the Security Trustee considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Security Trustee be reasonable for the Borrower to insure and which are specified by the Security Trustee by notice to the Borrower.

13.3 Terms of obligatory insurances

The Borrower shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) the Market Value of the Ship and (ii) 120 per cent. of the Loan (the "Agreed **Insurance Value**");

(c) in the case of hull and machinery insurance, in an amount on an agreed value basis of at least 80 per cent. of the Agreed Insured Value of the Ship with the remainder of that Agreed Insured Value being covered by hull interest and freight interest covers;

(d) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(e) in relation to protection and indemnity risks in respect of the Ship's full value and tonnage;

(f) on approved terms; and

(g) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

13.4 Further protections for the Creditor Parties

In addition to the terms set out in Clause 13.3, the Borrower shall procure that the obligatory insurances shall:

(a) subject always to paragraph (b), name the Borrower as the sole named assured unless the interest of every other named assured is limited:

(i) in respect of any obligatory insurances for hull and machinery and war risks:

(A) to any provable out-of-pocket expenses that it has incurred and which form part of any recoverable claim on underwriters; and

(B) to any third party liability claims where cover for such claims is provided by the policy (and then only in respect of discharge of any claims made against it); and

(ii) in respect of any obligatory insurances for protection and indemnity risks, to any recoveries it is entitled to make by way of reimbursement following discharge of any third party liability claims made specifically against it;

and every other named assured has undertaken in writing to the Security Trustee (in such form as it requires) that any deductible shall be apportioned between the Borrower and every other named assured in proportion to the gross claims made or paid by each of them and that it shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances;

(b) whenever the Security Trustee requires, name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(c) name the Security Trustee as loss payee with such directions for payment as the Security Trustee may specify;

(d) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made without set-off, counterclaim or deductions or condition whatsoever;

(e) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee or any other Creditor Party; and;

(f) provide that the Security Trustee may make proof of loss if the Borrower fails to do so.

13.5 Renewal of obligatory insurances The Borrower shall:

(a) at least 21 days before the expiry of any obligatory insurance:

(i) notify the Security Trustee of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom the Borrower proposes to renew that obligatory insurance and of the proposed terms of renewal; and

(ii) obtain the Security Trustee's approval to the matters referred to in paragraph (i);

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Security Trustee's approval pursuant to paragraph a); and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.

13.6 Copies of policies; letters of undertaking

The Borrower shall ensure that all approved brokers provide the Security Trustee with pro forma copies of all policies relating to the obligatory insurances which they are to effect or renew and of a letter or letters or undertaking in a form required by the Security Trustee and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 13.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;

(c) they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from the Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the Ship under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of the Ship or otherwise, they waive any lien on the policies or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of the Ship forthwith upon being so requested by the Security Trustee.

13.7 Copies of certificates of entry

The Borrower shall ensure that any protection and indemnity and/or war risks associations in which the Ship is entered provides the Security Trustee with:

(a) a certified copy of the certificate of entry for the Ship;

(b) a letter or letters of undertaking in such form as may be required by the Security Trustee;

(c) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to the Ship.

13.8 Deposit of original policies

The Borrower shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

13.9 Payment of premiums

The Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Security Trustee.

13.10 Guarantees

The Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

13.11 Compliance with terms of insurances

The Borrower shall neither do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:

(a) the Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.6(c) above) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;

(b) the Borrower shall not make any changes relating to the classification or classification society or manager or operator of the Ship approved by the underwriters of the obligatory insurances;

(c) the Borrower shall make (and promptly supply copies to the Agent of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship is entered to maintain cover for trading to the US and Exclusive

Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) the Borrower shall not employ the Ship, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

13.12 Alteration to terms of insurances

The Borrower shall neither make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

13.13 Settlement of claims

The Borrower shall not settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

13.14 Provision of copies of communications

The Borrower shall provide the Security Trustee, at the time of each such communication, copies of all written communications between the Borrower and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) the Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between the Borrower and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

13.15 Provision of information

In addition, the Borrower shall promptly provide the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker appointed by the Agent as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 13.16 below or dealing with or considering any matters relating to any such insurances,

and the Borrower shall, forthwith upon demand, indemnify the Security Trustee in respect of all fees and other expenses incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a) above.

13.16 Mortgagee's interest and additional perils insurances

The Security Trustee shall be entitled from time to time to effect, maintain and renew a mortgagee's interest additional perils insurance and a mortgagee's interest marine insurance each in an amount equal to 120 per cent. of the Loan and on such terms, through such insurers and generally in such manner as the Security Trustee may from time to time consider appropriate and the Borrower shall upon demand fully indemnify the Security Trustee in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

14. SHIP COVENANTS

14.1 General

The Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 14 at all times during the Security Period except as the Agent, with the authorisation of the Majority Lenders, may otherwise permit.

14.2 Ship's name and registration

The Borrower shall keep the Ship registered in its name under an Approved Flag; shall not do, omit to do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of the Ship.

14.3 Repair and classification

The Borrower shall keep the Ship in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) with a classification society (being a member of the International Association of Classification Societies) acceptable to the Lenders so as to maintain the highest class for its type with such classification society free of any material overdue recommendations and conditions; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the Approved Flag State or to vessels trading to any jurisdiction to which the Ship may trade from time to time, including but not limited to the ISM Code and the ISPS Code.

14.4 Classification Society Undertaking

The Borrower shall instruct the classification society referred to in Clause 14.3:

(a) to send to the Security Trustee, following receipt of a written request from the Security Trustee, certified true copies of all original class records held by the classification society in relation to the Ship;

(b) to allow the Security Trustee (or its agents), at any time and from time to time, to inspect the original class and related records of the Borrower and the Ship at the offices of the classification society and to take copies of them;

(c) to notify the Security Trustee immediately in writing if the classification society:

(i) receives notification from the Borrower or any other person that the Ship's classification society is to be changed; or

(ii) becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of the Ship's class under the rules or terms and conditions of the Borrower's or the Ship's membership of the classification society;

(d) following receipt of a written request from the Security Trustee:

(i) to confirm that the Borrower is not in default of any of its contractual obligations or liabilities to the classification society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the classification society; or

(ii) if the Borrower is in default of any of its contractual obligations or liabilities to the classification society, to specify to the Security Trustee in reasonable detail the facts and circumstances of such default, the consequences of such default, and any remedy period agreed or allowed by the classification society.

14.5 Modification

The Borrower shall not make any modification or repairs to, or replacement of, the Ship or equipment installed on the Ship which would or might materially alter the structure, type or performance characteristics of the Ship or materially reduce its value.

14.6 Removal of parts

The Borrower shall not remove any material part of the Ship, or any item of equipment installed on, the Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Security Trustee and becomes on installation on the Ship the property of the Borrower and subject to the security constituted by the Mortgage **Provided that** the Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship.

14.7 Surveys

The Borrower shall submit the Ship regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Security Trustee provide the Security Trustee, with copies of all survey reports.

14.8 Inspection

The Borrower shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose) to board the Ship from time to time, but without hindering the operation of the Ship, to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections.

14.9 Prevention of and release from arrest

The Borrower shall promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship, the Earnings or the Insurances;

(b) all taxes, dues and other amounts charged in respect of the Ship, the Earnings or the Insurances; and

(c) all other outgoings whatsoever in respect of the Ship, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of the Ship, or of its detention in exercise or purported exercise of any lien or claim, the Borrower shall procure its release by providing bail or otherwise as the circumstances may require.

14.10 Compliance with laws etc.

The Borrower shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws, all Sanctions and all other laws or regulations relating to the Ship, its ownership, operation and management or to the business of the Borrower;

(b) not employ the Ship, nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship to enter or trade to any zone which is declared a war zone by any government or by the Ship's war risks insurers unless the prior written consent of the Security Trustee has been given and the Borrower has (at its expense) effected any special, additional or modified insurance cover which the Security Trustee may require.

14.11 Provision of information

The Borrower shall promptly provide the Security Trustee with any information which the Security Trustee requests regarding:

(a) the Ship, its employment, position and engagements;

(b) the Earnings and payments and amounts due to the Ship's master and crew of the Ship;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship and any payments made in respect of the Ship;

(d) any towages and salvages; and

(e) the Borrower's, the Approved Manager's compliance or the compliance of the Ship with the ISM Code and the ISPS Code and any Sanctions Laws,

and, upon the Security Trustee's request, provide copies of any current charter relating to the Ship and of any current charter guarantee, and copies of the Borrower's or the Approved Manager's Document of Compliance or any other document issued under the ISM Code.

14.12 Notification of certain events

The Borrower shall immediately notify the Security Trustee by fax, confirmed forthwith by letter, of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of the Ship, any exercise or purported exercise of any lien on the Ship or the Earnings or any requisition of the Ship for hire;

(e) any intended dry docking of the Ship;

(f) any Environmental Claim made against the Borrower or in connection with the Ship, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against the Borrower, the Approved Manager or otherwise in connection with the Ship; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with, and the Borrower shall keep the Security Trustee advised in writing on a regular basis and in such detail as the Security Trustee shall require of the Borrower's and the Approved Manager's response to any of those events or matters.

14.13 Restrictions on chartering, appointment of managers etc.

The Borrower shall not:

(a) let the Ship on demise charter for any period;

(b) enter into any charter in relation to the Ship under which more than 2 months' hire (or the equivalent) is payable in advance;

(c) charter the Ship otherwise than on bona fide arm's length terms at the time when the Ship is fixed;

(d) appoint a manager of the Ship other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(e) de-activate or lay up the Ship; or

(f) put the Ship into the possession of any person for the purpose of work being done upon it in an amount exceeding or likely to exceed $1,000,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any lien on the Ship or the Earnings for the cost of such work or for any other reason.

14.14 Notice of Mortgage

The Borrower shall keep the Mortgage registered against the Ship as a valid first priority or, as the case may be, preferred mortgage, carry on board the Ship a certified copy of the Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of the Ship a framed printed notice stating that the Ship is mortgaged by the Borrower to the Security Trustee.

14.15 Sharing of Earnings

The Borrower shall not:

(a) enter into any agreement or arrangement for the sharing of any Earnings;

(b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due; the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of the Borrower to any Earnings; or

(c) enter into any agreement or arrangement for the release of, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.

14.16 Charterparty Assignment

If the Borrower enters into any Charterparty, the Borrower shall, at the request of the Agent, execute in favour of the Security Trustee a Charterparty Assignment in respect of that Charterparty, and shall:

(a) serve notice of the Charterparty Assignment on the relevant charterer and procure that the charterer acknowledges such notice in such form as the Agent may approve or require; and

(b) deliver to the Agent such other documents equivalent to those referred to at paragraphs 3, 4, 5 and 6 of Part A of Schedule 3 as the Agent may require.

14.17 ISPS Code

The Borrower shall comply with the ISPS Code and in particular, without limitation, shall:

(a) procure that the Ship and the company responsible for the Ship's compliance with the ISPS Code comply with the ISPS Code; and

(b) maintain for the Ship an ISSC; and

(c) notify the Agent immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC.

15. SECURITY COVER

15.1 Minimum required security cover

Clause 15.2 applies if the Agent notifies the Borrower that:

(a) the Market Value of the Ship; plus

(b) the net realisable value of any additional security previously provided under this Clause 15,

is below the Relevant Percentage of the Loan and the Swap Exposure.

In this Clause 15.1, "Relevant Percentage" means,

(i) from the Drawdown Date until the date falling on the first anniversary of the Drawdown Date (the "**First Security Cover Period**"**),** 90 per cent.;

(ii) from the last day of the First Security Cover Period until the date falling on the first anniversary of the First Security Cover Period, 105 per cent.; and

(iii) at any time thereafter, 125 per cent.

15.2 Provision of additional security; prepayment

If the Agent serves a notice on the Borrower under Clause 15.1, the Borrower shall prepay such part (at least) of the Loan as will eliminate the shortfall on or before the date falling 1 month after the date on which the Agent's notice is served under Clause 15.1 (the "**Prepayment Date**"**)** unless at least 1 Business Day before the Prepayment Date it has provided, or ensured that a third party has provided, additional security which, in the opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and which has been documented in such terms as the Agent may, with the authorisation of the Majority Lenders, approve or require.

15.3 Valuation of Ship

The Market Value of the Ship at any date is that shown by the arithmetic mean of 2 written valuations **Provided that** if the two valuations differ by a margin greater than 10 per cent. a third valuation shall be commissioned, each prepared:

(a) as at a date not more than 30 days previously;

(b) by an Approved Broker (selected by the Borrowers) appointed by the Agent and addressed to the Agent;

(c) with or without physical inspection of the Ship (as the Agent may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

(e) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

15.4 Value of additional vessel security

The net realisable value of any additional security which is provided under Clause 15.2 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 15.3.

15.5 Valuations binding

Any valuation under Clause 15.2, 15.3 or 15.4 shall be binding and conclusive as regards the Borrower, as shall be any valuation which the Majority Lenders make of any additional security which does not consist of or include a Security Interest.

15.6 Provision of information

The Borrower shall promptly provide the Agent and any Approved Broker or expert acting under Clause 15.3 or 15.4 with any information which the Agent or the Approved Broker or expert may request for the purposes of the valuation; and, if the Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Majority Lenders (or the expert appointed by them) consider prudent **Provided that** so long as no Event of Default has occurred the Borrower shall not be obliged to pay any such fees or expenses in respect of more than two valuations of the Ship in any calendar year.

15.7 Payment of valuation expenses

Without prejudice to the generality of the Borrower's obligations under Clauses 20.1, 20.3 and 21.3, the Borrower shall, on demand, pay the Agent the amount of the fees and expenses of any Approved Broker or expert instructed by the Agent under this Clause and all legal and other expenses incurred by any Creditor Party in connection with any matter arising out of this Clause.

15.8 Frequency of valuations

The Borrower acknowledges and agrees that the Agent may commission valuation(s) of the Ship at such times as the Agent shall deem necessary (but in any event not less than twice per annum as long as there is no Event of Default). Notwithstanding the provisions of this Agreement the first two valuations of the Ship to be obtained by the Agent in order to determine the Market Value of the Ship shall be dated 31 December 2016 and for the

remainder of the Security Period each set of valuations shall be dated on 31 December and 30 June, respectively, in each calendar year.

15.9 Application of prepayment

Clause 8 shall apply in relation to any prepayment pursuant to Clause 15.2.

16. PAYMENTS AND CALCULATIONS

16.1 Currency and method of payments

All payments to be made by the Lenders or by the Borrower under a Finance Document shall be made to the Agent or to the Security Trustee, in the case of an amount payable to it:

(a) by not later than 11.00 a.m. (New York City time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement);

(c) in the case of an amount payable by a Lender to the Agent or by the Borrower to the Agent or any Lender, to the account of the Agent at DNB BANK ASA, (DNB Bank ASA, Ship Finance, IBAN: CH92 0483 5950 0000 9878 0, SWIFT: CRESCHZZ40A) or to such other account with such other bank as the Agent may from time to time notify to the Borrower and the other Creditor Parties; and

(d) in the case of an amount payable to the Security Trustee, to such account as it may from time to time notify to the Borrower and the other Creditor Parties.

16.2 Payment on non-Business Day

If any payment by the Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day, and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

16.3 Basis for calculation of periodic payments

All interest and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

16.4 Distribution of payments to Creditor Parties

Subject to Clauses 16.5, 16.6 and 16.7:

(a) any amount received by the Agent under a Finance Document for distribution or remittance to a Lender, the Swap Bank or the Security Trustee shall be made available by the Agent to that Lender, the Swap Bank or, as the case may be, the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender, or the

Swap Bank or the Security Trustee may have notified to the Agent not less than 5 Business Days previously; and

(b) amounts to be applied in satisfying amounts of a particular category which are due to the Lenders and/or the Swap Bank shall be distributed by the Agent to each Lender and the Swap Bank pro rata to the amount in that category which is due to it.

16.5 Permitted deductions by Agent

Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent may, before making an amount available to a Lender, deduct and withhold from that amount any sum which is then due and payable to the Agent from that Lender under any Finance Document or any sum which the Agent is then entitled under any Finance Document to require that Lender to pay on demand.

16.6 Agent only obliged to pay when monies received

Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent shall not be obliged to make available to the Borrower or any Lender any sum which the Agent is expecting to receive for remittance or distribution to the Borrower or that Lender until the Agent has satisfied itself that it has received that sum.

16.7 Refund to Agent of monies not received

If and to the extent that the Agent makes available a sum to the Borrower or a Lender, without first having received that sum, the Borrower or (as the case may be) the Lender concerned shall, on demand:

(a) refund the sum in full to the Agent; and

(b) pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding or other loss, liability or expense incurred by the Agent as a result of making the sum available before receiving it.

16.8 Agent may assume receipt

Clause 16.7 shall not affect any claim which the Agent has under the law of restitution, and applies irrespective of whether the Agent had any form of notice that it had not received the sum which it made available.

16.9 Creditor Party accounts

Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

16.10 Agent's memorandum account

The Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Agent, the Security Trustee and each Lender from the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

16.11 Accounts prima facie evidence

If any accounts maintained under Clauses 16.9 and 16.10 show an amount to be owing by the Borrower or a Security Party to a Creditor Party, those accounts shall be prima facie evidence that that amount is owing to that Creditor Party.

17. APPLICATION OF RECEIPTS

17.1 Normal order of application

Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (other than under the Master Agreement) in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents (other than the Master Agreement) other than those amounts referred to at paragraphs (a)(ii) and (a)(iii) (including, but without limitation, all amounts payable by the Borrower under Clauses 20, 21 and 22 of this Agreement or by the Borrower or any Security Party under any corresponding or similar provision in any other Finance Document (other than the Master Agreement);

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents (other than under the Master Agreement); and

(iii) thirdly, in or towards satisfaction of the Loan;

(b) SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document (other than the Master Agreement) but which the Agent, by notice to the Borrower, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;

(c) THIRDLY: in or towards satisfaction of any amounts then due and payable under the Master Agreement in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Swap Bank under the Master Agreement other than those amounts referred to at paragraphs (b)(ii) and (b)(iii);

(ii) secondly, in or towards satisfaction pro rata of any and **all** amounts of interest or default interest payable to the Swap Bank under the Master Agreement (and, for this purpose, the expression "**interest**" shall include any net amount which the Borrower shall have become liable to pay or deliver under section 2 (e) (Obligations) of each Master Agreement but shall have failed to pay or deliver to the relevant Swap Bank (or any of them) at the time of application or distribution under this Clause 17); and

(iii) thirdly, in or towards satisfaction pro rata of the aggregate Swap Exposure (calculated as at the actual Early Termination Date applying to each particular Designated Transaction entered into under the Master Agreement (or any of them), or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder and pro rata as between them);

(d) FOURTHLY: in retention of an amount equal to any amount not then due and payable under any Finance Document (other than the Master Agreement) but which the Agent, by notice to the Borrower, the Security Parties and the other Creditor Parties, states in its opinion will or

may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause 17;

(e) FIFTHLY: in retention of an amount equal to any amount not then due under and payable under the Master Agreement but which the Swap Bank, by notice to the Borrower, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause; and

(f) SIXTHLY: any surplus shall be paid to the Borrower or to any other person appearing to be entitled to it.

17.2 Variation of order of application

The Agent may, with the authorisation of the Majority Lenders and the Swap Bank by notice to the Borrower, the Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 17.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

17.3 Notice of variation of order of application

The Agent may give notices under Clause 17.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

17.4 Appropriation rights overridden

This Clause 17 and any notice which the Agent gives under Clause 17.2 shall override any right of appropriation possessed, and any appropriation made, by the Borrower or any Security Party.

18. APPLICATION OF EARNINGS, SWAP PAYMENTS

18.1 Payment of Earnings and Swap Payments

The Borrower undertakes with each Creditor Party to ensure that, throughout the Security Period:

(a) (subject only to the provisions of the General Assignment), all the Earnings of the Ship are paid to the Earnings Account; and

(b) all payments by the Swap Bank to the Borrower under each Designated Transaction are paid to the Earnings Account.

18.2 Location of account

The Borrower shall promptly:

(a) comply with any requirement of the Agent as to the location or re-location of the Earnings Account; and

(b) execute any documents which the Agent specifies to create or maintain in favour of the Security Trustee a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Earnings Account.

18.3 Debits for expenses etc.

The Agent shall be entitled (but not obliged) from time to time to debit the Earnings Account upon notice in order to discharge any amount due and payable under Clause 5, 7, 8, 20 or 21 to a Creditor Party or payment of which any Creditor Party has become entitled to demand under Clause 5, 7, 8, 20 or 21.

18.4 Borrower's obligations unaffected

The provisions of this Clause 18 do not affect:

(a) the liability of the Borrower to make payments of principal and interest on the due dates; or

(b) any other liability or obligation of the Borrower or any Security Party under any Finance Document.

18.5 Earnings Account Balances

Subject to the other terms of this Agreement (including, without limitation, the terms of Clause 8.3, Clause 11.20 and this Clause 18, the monies on the Earnings Account (other than the Minimum Liquidity Amount) shall be freely available to the Borrower to be used in accordance with and in compliance with the terms and conditions of this Agreement **Provided that** no Event of Default has occurred that is continuing at any relevant time.

19. EVENTS OF DEFAULT

19.1 Events of Default

An Event of Default occurs if:

(a) the Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; or

(b) any breach occurs of Clause 11.2, 11.3, 11.18, 11.19, 11.20, 11.21, 12.2, 12.3, 13.2, 13.3, 14.2, 14.3, 15.2; or

(c) any breach by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b) above) which, in the opinion of the Majority Lenders, is capable of remedy, and such default continues unremedied 10 Business Days after written notice from the Agent requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in the Finance Document) any breach by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach falling within paragraphs (a), (b) or (c) above); or

(e) any representation, warranty or statement made or repeated by, or by an officer of, the Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made or repeated; or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person:

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

Provided that no Event of Default will occur under this Clause 19.1(f), if the aggregate amount of Financial Indebtedness falling within paragraphs (i) to (iv) above is less than $10,000,000 in aggregate (or its equivalent in any other currency) in the case of the Corporate Guarantor and $500,000 in aggregate (or its equivalent in any other currency) in the case of any other Relevant Person. For the avoidance of doubt, for the purposes of this Clause 19.1(f) references to Financial Indebtedness shall exclude the Secured Liabilities.

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the opinion of the Majority Lenders, unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $10,000,000 or more or the equivalent in another currency in the case of the Corporate Guarantor and, $500,000 or more or the equivalent in another currency in the case of any other Relevant Person Provided that in the case of an arrest of a Ship, no Event of Default shall occur under this paragraph (ii) if the arrest is discharged, dismissed or released within 30 days of its commencement; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) an administrator is appointed (whether by the court or otherwise) in respect of a Relevant Person; or

(v) any formal declaration of bankruptcy or any formal statement to the effect that a Relevant Person is insolvent is made by a Relevant Person or by the directors of a Relevant Person or, in any proceedings, by a lawyer acting for a Relevant Person; or

(vi) a provisional liquidator is appointed in respect of a Relevant Person, a winding up order is made in relation to a Relevant Person or a winding up resolution is passed by a Relevant Person; or

(vii) a resolution is passed, an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by (aa) a Relevant Person, (bb) the members or directors of a Relevant Person, (cc) a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person, or (dd) a government minister or public or regulatory authority of a Pertinent Jurisdiction for or with a view to the winding up of that or another

Relevant Person or the appointment of a provisional liquidator or administrator in respect of that or another Relevant Person, or that or another Relevant Person ceasing or suspending business operations or payments to creditors, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrower or the Corporate Guarantor which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or

(viii) an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by a creditor of a Relevant Person (other than a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person) for the winding up of a Relevant Person or the appointment of a provisional liquidator or administrator in respect of a Relevant Person in any Pertinent Jurisdiction, unless the proposed winding up, appointment of a provisional liquidator or administration is being contested in good faith, on substantial grounds and not with a view to some other insolvency law procedure being implemented instead and either (aa) the application or petition is dismissed or withdrawn within 30 days of being made or presented, or (bb) within 30 days of the administration notice being given or filed, or the other relevant steps being taken, other action is taken which will ensure that there will be no administration and (in both cases (aa) or (bb)) the Relevant Person will continue to carry on business in the ordinary way and without being the subject of any actual, interim or pending insolvency law procedure; or

(ix) a Relevant Person or its directors take any steps (whether by making or presenting an application or petition to a court, or submitting or presenting a document setting out a proposal or proposed terms, or otherwise) with a view to obtaining, in relation to that or another Relevant Person, any form of moratorium, suspension or deferral of payments, reorganisation of debt (or certain debt) or arrangement with all or a substantial proportion (by number or value) of creditors or of any class of them or any such moratorium, suspension or deferral of payments, reorganisation or arrangement is effected by court order, by the filing of documents with a court, by means of a contract or in any other way at all; or

(x) any meeting of the members or directors, or of any committee of the board or senior management, of a Relevant Person is held or summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iv) to (ix) or a step preparatory to such action, or (with or without such a meeting) the members, directors or such a committee resolve or agree that such an action or step should be taken or should be taken if certain conditions materialise or fail to materialise; or

(xi) in a Pertinent Jurisdiction other than England, any event occurs, any proceedings are opened or commenced or any step is taken which, in the opinion of the Majority Lenders is similar to any of the foregoing; or

(h) the Borrower ceases or suspends carrying on its business or a part of its business which, in the opinion of the Majority Lenders, is material in the context of this Agreement; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for the Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Majority Lenders consider material under a Finance Document; or

(ii) for the Agent, the Security Trustee or the Lenders or the Swap Bank to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable the Borrower to own, operate or charter the Ship or to enable the Borrower or any Security Party to comply with any provision which the Majority Lenders consider material of a Finance Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(k) any provision which the Majority Lenders consider material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(l) the shares of the Corporate Guarantor cease to be listed on the New York Stock Exchange; or

(m) without the Majority Lenders' prior written consent, a Change of Control has occurred after the date of this Agreement; or

(n) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(o) an Event of Default (as defined in Section 14 of the Master Agreement) occurs or the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect tor any reason except with the consent of the Agent, acting with the authorisation of the Majority Lenders; or

(p) any other event occurs or any other circumstances arise or develop which constitutes a Material Adverse Change; or

(q) the Borrower ceases to be a wholly-owned subsidiary of the Corporate Guarantor; or

(r) any Obligor, any of their joint ventures or respective directors, officers, employees, agents or representatives or any other persons acting on any of their behalf becomes a Restricted Party.

19.2 Actions following an Event of Default

On, or at any time after, the occurrence of an Event of Default:

(a) the Agent may, and if so instructed by the Majority Lenders, the Agent shall:

(i) serve on the Borrower a notice stating that all or part of the Commitments and of the other obligations of each Lender to the Borrower under this Agreement are cancelled; and/or

(ii) serve on the Borrower a notice stating that all or part of the Loan together with accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(iii) take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii) above, the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law; and/or

(b) the Security Trustee may, and if so instructed by the Agent, acting with the authorisation of the Majority Lenders, the Security Trustee shall take any action which, as a result of the

Event of Default or any notice served under paragraph (a) (i) or (ii) above, the Security Trustee, the Agent, the Mandated Lead Arrangers and/or the Lenders and/or the Swap Bank are entitled to take under any Finance Document or any applicable law.

19.3 Termination of Commitments

On the service of a notice under paragraph (a)(i) of Clause 19.2, the Commitments and all other obligations of each Lender to the Borrower under this Agreement shall be cancelled.

19.4 Acceleration of Loan

On the service of a notice under paragraph (a)(ii) of Clause 19.2, all or, as the case may be, the part of the Loan specified in the notice together with accrued interest and all other amounts accrued or owing from the Borrower or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

19.5 Multiple notices; action without notice

The Agent may serve notices under paragraphs (a)(i) and (ii) of Clause 19.2 simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in Clause 19.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

19.6 Notification of Creditor Parties and Security Parties

The Agent shall send to each Lender, the Security Trustee, the Swap Bank and each Security Party a copy or the text of any notice which the Agent serves on the Borrower under Clause 19.2; but the notice shall become effective when it is served on the Borrower, and no failure or delay by the Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide the Borrower or any Security Party with any form of claim or defence.

19.7 Creditor Party's rights unimpaired

Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders or the Swap Bank under a Finance Document or the general law; and, in particular, this Clause is without prejudice to Clause 3.1.

19.8 Exclusion of Creditor Party liability

No Creditor Party, and no receiver or manager appointed by the Security Trustee, shall have any liability to the Borrower or a Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt a Creditor Party or a receiver or manager from liability for losses shown to have been caused by the dishonesty or the wilful misconduct of such Creditor Party's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

19.9 Relevant Persons

In this Clause 19 "**a Relevant Person**" means the Borrower and a Security Party.

19.10 Interpretation

In Clause 19.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 19.1(g) "**petition**" includes an application.

19.11 Position of Swap Bank

Neither the Agent nor the Security Trustee shall be obliged, in connection with any action taken or proposed to be taken under or pursuant to the foregoing provisions of this Clause 19, to have any regard to the requirements of the Swap Bank except to the extent that the Swap Bank is also a Lender.

20. FEES AND EXPENSES

20.1 Costs of negotiation, preparation etc.

The Borrower shall pay to the Agent on its demand the amount of all expenses incurred by the Agent or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

20.2 Costs of variations, amendments, enforcement etc.

The Borrower shall pay to the Agent, on the Agent's demand, for the account of the Creditor Party concerned, the amount of all expenses incurred by a Creditor Party in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lenders, the Swap Bank, the Majority Lenders or the Creditor Party concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 15 or any other matter relating to such security;

(d) where the Agent, in its absolute opinion, considers that there has been a material change to the insurances in respect of the Ship, the review of the insurances of the Ship pursuant to Clause13.2; or

(e) any step taken by the Lender concerned or the Swap Bank with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (e) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

20.3 Documentary taxes

The Borrower shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Agent's demand, fully indemnify each Creditor Party against any

claims, expenses, liabilities and losses resulting from any failure or delay by the Borrower to pay such a tax.

20.4 Certification of amounts

A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 20 and which indicates the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21. INDEMNITIES

21.1 Indemnities regarding borrowing and repayment of Loan

The Borrower shall fully indemnify the Agent and each Lender and the Swap Bank on the Agent's demand and the Security Trustee on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) the Loan not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender or the Swap Bank claiming the indemnity;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrower to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrower on the amount concerned under Clause 7); and

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 19, and in respect of any tax (other than tax on its overall net income) for which a Creditor Party is liable in connection with any amount paid or payable to that Creditor Party (whether for its own account or otherwise) under any Finance Document.

21.2 Breakage costs

Without limiting its generality, Clause 21.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by a Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender concerned) to hedge any exposure arising under this Agreement or that part which the Lender concerned determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating, or otherwise in connection with, a number of transactions of which this Agreement is one.

21.3 Miscellaneous indemnities

The Borrower shall fully indemnify each Creditor Party severally on their respective demands in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by a Creditor Party, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Agent, the Security Trustee or any other Creditor Party or by any receiver appointed under a Finance Document; or

(b) any other Pertinent Matter, other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or wilful misconduct of the officers or employees of the Creditor Party concerned.

Without prejudice to its generality, this Clause 21.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law or any Sanctions.

21.4 Currency indemnity

If any sum due from the Borrower or any Security Party to a Creditor Party under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the "**Contractual Currency**"**)** into another currency (the "**Payment Currency**"**)** for the purpose of:

(a) making or lodging any claim or proof against the Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment,

the Borrower shall indemnify the Creditor Party concerned against the loss arising when the amount of the payment actually received by that Creditor Party is converted at the available rate of exchange into the Contractual Currency.

In this Clause 21.4, the "**available rate of exchange**" means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 21.4 creates a separate liability of the Borrower which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

21.5 Certification of amounts

A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21.6 Sums deemed due to a Lender

For the purposes of this Clause 21, a sum payable by the Borrower to the Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender.

21.7 Application to Master Agreement

For the avoidance of doubt, Clause 21.4 does not apply in respect of sums due from the Borrower to the Swap Bank under or in connection with the Master Agreement as to which sum the provisions of Section 8 *(Contractual Currency)* of the Master Agreement shall apply.

21.8 Tax indemnity

(a) The Borrower shall (within five Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss or cost which that Protected Party has suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

(b) Paragraph (a) above shall not apply:

(i) with respect to any Tax assessed on a Creditor Party:

(A) under the law of the jurisdiction in which that Creditor Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Creditor Party is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Creditor Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Creditor Party; or

(ii) to the extent a loss or cost is compensated for by an increased payment under Clause 22.2 or relates to a FATCA Deduction required to be made by a Party.

(c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.

(d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 21.8, notify the Agent.

21.9 Mandatory Cost

The Borrower shall, on demand by the Agent, pay to the Agent for the account of the relevant Lender, such amount which any Lender certifies in a notice to the Agent to be its good faith determination of the amount necessary to compensate it for complying with:

(a) in the case of a Lender lending from an office in a Participating Member State, the minimum reserve requirements (or other requirements having the same or similar purpose) of the European Central Bank or any other authority or agency which replaces all or any of its functions) in respect of loans made from that office; and

(b) in the case of any Lender lending from an office in the United Kingdom, any reserve asset, special deposit or liquidity requirements (or other requirements having the same or similar purpose) of the Bank of England (or any other governmental authority or agency) and/or paying any fees to the Financial Conduct Authority and/or the Prudential Regulation

Authority (or any other governmental authority or agency which replaces all or any of their functions),

which, in each case, is referable to that Lender's participation in the Loan.

22. NO SET-OFF OR TAX DEDUCTION

22.1 No deductions

All amounts due from the Borrower under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrower is required by law to make.

22.2 Grossing-up for taxes

The Borrower shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrower and that Obligor.

22.3 Evidence of payment of taxes

Within 1 month after making any Tax Deduction, the Borrower shall deliver to the Agent documentary evidence satisfactory to the Agent that the tax had been paid to the appropriate taxation authority.

(a) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(b) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(c) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Agent for the Creditor Party entitled to the payment evidence reasonably satisfactory to that Creditor Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

22.4 Tax Credit

If an Obligor makes a Tax Payment and the relevant Creditor Party determines that:

(a) a Tax Credit is attributable (i) to an increased payment of which that Tax Payment forms part, (ii) to that Tax Payment, or (iii) to a Tax Deduction in consequence of which that Tax Payment was received; and

(b) that Creditor Party has obtained, utilised and retained that Tax Credit,

the Creditor Party shall pay an amount to the Obligor which that Creditor Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

22.5 Application to Master Agreement

For the avoidance of doubt, Clause 22 does not apply in respect of sums due from the Borrower to the Swap Bank under or in connection with the Master Agreement as to which sums the provisions of Sections 2(d) (Deduction or Withholding for Tax), 2(c) (Netting of Payments) and 6(e) (Payments on Early Termination) of the Master Agreement shall apply.

22.6 FATCA Information

(a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party;

(ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA (including US Internal Revenue Service Forms W-8 or W-9) as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and (iii)supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

(b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party or provides a US Internal Revenue Service Form W-8 or W-9, and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party or that such Form has ceased to be accurate or valid, that Party shall notify that other Party reasonably promptly or provide a revised Form, as applicable.

(c) Paragraph (a) above shall not oblige any Creditor Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality;

provided, that, the provision of US Internal Revenue Service Forms W-8 or W-9 shall not be deemed to be such a breach for purposes of this paragraph (c).

(d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

22.7 FATCA Deduction

(a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrower and the Agent and the Agent shall notify the other Creditor Parties.

(c) If a FATCA Deduction is made as a result of any Creditor Party failing to be a FATCA Exempt Party, such party shall indemnify each other Creditor Party against any loss, cost or expense to it resulting from such FATCA Deduction.

23. ILLEGALITY, ETC

23.1 Illegality

This Clause 23 applies if a Lender (the "**Notifying Lender**"**)** notifies the Agent that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation, for the Notifying Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

23.2 Notification of illegality

The Agent shall promptly notify the Borrower, the Security Parties, the Security Trustee and the other Lenders of the notice under Clause 23.1 which the Agent receives from the Notifying Lender.

23.3 Prepayment; termination of Commitment

On the Agent notifying the Borrower under Clause 23.2, the Notifying Lender's Commitment shall terminate; and thereupon or, if later, on the date specified in the Notifying Lender's notice under Clause 23.1 as the date on which the notified event would become effective the Borrower shall prepay the Notifying Lender's Contribution in accordance with Clause 8 **Provided that** if the illegality relates to circumstances in which the relevant Approved Flag State in respect of a Ship is likely to be deemed a Restricted Party (in the opinion of the Notifying Lender) and the conditions for changing the Approved Flag State pursuant to Clause 14.2 are capable of being satisfied by the Borrower prior to the relevant Approved Flag State becoming a Restricted Party for the purposes of any applicable Sanctions, the Borrower shall be entitled to elect to change the relevant Approved Flag State instead of prepaying the Notifying Lender's Contribution.

23.4 Mitigation

If circumstances arise which would result in a notification under Clause 23.1 then, without in any way limiting the rights of the Notifying Lender under Clause 23.3, the Notifying Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected

by the circumstances but the Notifying Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

24. INCREASED COSTS

24.1 Increased costs

This Clause 24 applies if a Lender (the "**Notifying Lender**"**)** notifies the Agent that the Notifying Lender considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Notifying Lender's overall net income); or

(b) complying with any law or regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement, the Notifying Lender (or a parent company of it) has incurred or will incur an "**increased cost**"**.**

24.2 Meaning of "**increased cost**"

In this Clause 24, "**increased cost**" means, in relation to a Notifying Lender:

(a) an additional or increased cost incurred as a result of, or in connection with, the Notifying Lender having entered into, or being a party to, this Agreement or a Transfer Certificate, of funding or maintaining its Commitment or Contribution or performing its obligations under this Agreement, or of having outstanding all or any part of its Contribution or other unpaid sums;

(b) a reduction in the amount of any payment to the Notifying Lender under this Agreement or in the effective return which such a payment represents to the Notifying Lender or on its capital;

(c) an additional or increased cost of funding all or maintaining all or any of the Tranches comprised in a class of advances formed by or including the Notifying Lender's Contribution or (as the case may require) the proportion of that cost attributable to the Contribution; or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender under this Agreement,

but not an item attributable to a change in the rate of tax on the overall net income of the Notifying Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 21.1 or by Clause 22 or a FATCA Deduction or an item arising directly out of the implementation or application of or compliance with 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 (but excluding any amendment arising out of Basel III) **(**"**Basel II")** or any other

law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Creditor Party).

For the purposes of this Clause 24.2 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

24.3 Notification to Borrower of claim for increased costs

The Agent shall promptly notify the Borrower and the Security Parties of the notice which the Agent received from the Notifying Lender under Clause 24.1.

24.4 Payment of increased costs

The Borrower shall pay to the Agent, on the Agent's demand, for the account of the Notifying Lender the amounts which the Agent from time to time notifies the Borrower that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

24.5 Notice of prepayment

If the Borrower is not willing to continue to compensate the Notifying Lender for the increased cost under Clause 24.4, the Borrower may give the Agent not less than 14 days' notice of its intention to prepay the Notifying Lender's Contribution at the end of an Interest Period.

24.6 Prepayment; termination of Commitment

A notice under Clause 24.5 shall be irrevocable; the Agent shall promptly notify the Notifying Lender of the Borrower's notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin and the Mandatory Cost (if any).

24.7 Application of prepayment

Clause 8 shall apply in relation to the prepayment.

25. SET-OFF

25.1 Application of credit balances

Each Creditor Party may, without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrower at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Borrower to that Creditor Party under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrower;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

25.2 Existing rights unaffected

No Creditor Party shall be obliged to exercise any of its rights under Clause 25.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

25.3 Sums deemed due to a Lender

For the purposes of this Clause 25.3, a sum payable by the Borrower to the Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

25.4 No Security Interest

This Clause 25 gives the Creditor Parties a contractual right of set-off only and does not create any equitable charge or other Security Interest over any credit balance of the Borrower.

26. TRANSFERS AND CHANGES IN LENDING OFFICES

26.1 Transfer by Borrower

The Borrower may not, without the consent of the Agent, given on the instructions of all the Lenders transfer any of its rights or obligations under any Finance Document.

26.2 Transfer by a Lender

Subject to Clause 26.4, a Lender (the "**Transferor Lender**") may at any time, subject to the prior consent of the Borrower (such consent not to be unreasonably withheld or delayed), cause:

(a) its rights in respect of all or part of its Contribution; or

(b) its obligations in respect of all or part of its Commitment; or

(c) a combination of (a) and (b),

to be (in the case of its rights) transferred to, or (in the case of its obligations) assumed by, another bank or financial institution (a "**Transferee Lender**") by delivering to the Agent a completed certificate in the form set out in Schedule 4 with any modifications approved or required by the Agent (a "**Transfer Certificate**") executed by the Transferor Lender and the Transferee Lender, **Provided that** a Transferor Lender may, without the prior consent from the Borrower but with prior notice, assign any of its rights or novate any of its rights and obligations, in part or in whole (i) to any or its branches, wholly-owned subsidiaries or affiliates so long as such assignment or novation is at the cost of the Transferor Lender and the Borrower will not incur any costs or (ii) at any time that an Event of Default has occurred and is continuing.

However any rights and obligations of the Transferor Lender in its capacity as Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Agreement.

26.3 Transfer Certificate, delivery and notification

As soon as reasonably practicable after a Transfer Certificate is delivered to the Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

(a) sign the Transfer Certificate on behalf of itself, the Borrower, the Security Parties, the Security Trustee and each of the other Lenders and the Swap Bank;

(b) on behalf of the Transferee Lender, send to the Borrower and each Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it; and

(c) send to the Transferee Lender copies of the letters or faxes sent under paragraph (b) above,

but the Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Transferor Lender and the Transferee Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to that Transferee Lender.

26.4 Effective Date of Transfer Certificate

A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date **Provided that** it is signed by the Agent under Clause 26.3 on or before that date.

26.5 No transfer without Transfer Certificate

Except as provided in Clause 26.17, no assignment or transfer of any right or obligation of a Lender under any Finance Document (other than the Master Agreement) is binding on, or effective in relation to, the Borrower, any Security Party, the Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

26.6 Lender re-organisation; waiver of Transfer Certificate

However, if a Lender enters into any merger, de-merger or other reorganisation as a result of which all its rights or obligations vest in another person (the "**successor**"**),** the Agent may, if it sees fit, by notice to the successor and the Borrower and the Security Trustee waive the need for the execution and delivery of a Transfer Certificate; and, upon service of the Agent's notice, the successor shall become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

26.7 Effect of Transfer Certificate

A Transfer Certificate takes effect in accordance with English law as follows:

(a) to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents are assigned to the Transferee Lender absolutely, free of any defects in the Transferor Lender's title and of any rights or equities which the Borrower or any Security Party had against the Transferor Lender;

(b) the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;

(c) the Transferee Lender becomes a Lender with the Contribution previously held by the Transferor Lender and a Commitment of an amount specified in the Transfer Certificate;

(d) the Transferee Lender becomes bound by all the provisions of the Finance Documents which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;

(e) any part of the Loan which the Transferee Lender advances after the Transfer Certificate's effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the transferor, assuming that any defects in the transferor's title and any rights or equities of the Borrower or any Security Party against the Transferor Lender had not existed;

(f) the Transferee Lender becomes entitled to all the rights under the Finance Documents which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under Clause **Error! Reference source not found.** and Clause 20, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

(g) in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document, the Transferee Lender shall be entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of the Borrower or any Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross-claim.

26.8 Maintenance of register of Lenders

During the Security Period the Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender holding a Transfer Certificate and the effective date (in accordance with Clause 26.4) of the Transfer Certificate; and the Agent shall make the register available for inspection by any Lender, the Security Trustee and the Borrower during normal banking hours, subject to receiving at least 3 Business Days prior notice.

26.9 Reliance on register of Lenders

The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

26.10 Authorisation of Agent to sign Transfer Certificates

The Borrower, the Security Trustee, each Lender and the Swap Bank irrevocably authorise the Agent to sign Transfer Certificates on their behalf.

26.11 Registration fee

In respect of any Transfer Certificate, the Agent shall be entitled to recover a registration fee of $5,000 (and all costs, fees and expenses incidental to the transfer (including, but not

limited to legal fees and expenses)) from the Transferor Lender or (at the Agent's option) the Transferee Lender.

26.12 Sub-participation; subrogation assignment

A Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents (other than the Master Agreement) without the consent of, or any notice to, the Borrower, any Security Party, the Agent or the Security Trustee; and the Lenders may assign, in any manner and terms agreed by the Majority Lenders, the Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

26.13 Disclosure of information

A Lender may disclose to a potential Transferee Lender or any-participant any information which the Lender has received in relation to the Borrower, any Security Party or their affairs under or in connection with any Finance Document, unless the information is clearly of a confidential nature.

26.14 Change of lending office

A Lender may change its lending office by giving notice to the Agent and the change shall become effective on the later of:

(a) the date on which the Agent receives the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect. **26.15 Notification**

On receiving such a notice, the Agent shall notify the Borrower and the Security Trustee; and, until the Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office of which the Agent last had notice.

26.15 Replacement of Reference Bank

If any Reference Bank ceases to be a Lender or is unable on a continuing basis to supply quotations for the purposes of Clause 5 then, unless the Borrower, the Agent and the Majority Lenders otherwise agree, the Agent, acting on the instructions of the Majority Lenders, and after consulting the Borrower, shall appoint another bank (whether or not a Lender) to be a replacement Reference Bank; and, when that appointment comes into effect, the first-mentioned Reference Bank's appointment shall cease to be effective.

26.16 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 26, each Lender may without consulting with or obtaining consent from the Borrower or any Security Party, at any time charge, assign or otherwise create a Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document (other than the Master Agreement) to secure obligations of that Lender including, without limitation:

(a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and

(b) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities;

except that no such charge, assignment or Security Interest shall:

(i) substitute the beneficiary of the relevant charge, assignment or Security Interest for release a Lender from any of its obligations under the Finance Documents or the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by the Borrower or any Security Party or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

27. VARIATIONS AND WAIVERS

27.1 Variations, waivers etc. by Majority Lenders

Subject to Clause 27.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or any Creditor Party's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax, by the Borrower, by the Agent on behalf of the Majority Lenders, by the Agent and the Security Trustee in their own rights, and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

27.2 Variations, waivers etc. requiring agreement of all Lenders

However, as regards the following, Clause 27.1 applies as if the words "by the Agent on behalf of the Majority Lenders" were replaced by the words "by or on behalf of every Lender":

(a) a reduction in the Margin;

(b) a postponement to the date for, or a reduction in the amount of, any payment of principal, interest, fees or other sum payable under this Agreement;

(c) an increase in any Lender's Commitment;

(d) a change to the definition of "**Majority Lenders**"**;**

(e) a change to Clause 3 or this Clause 27;

(f) any release of, or material variation to, a Security Interest, guarantee, indemnity or subordination arrangement set out in a Finance Document; and

(g) any other change or matter as regards which this Agreement or another Finance Document expressly provides that each Lender's consent is required.

27.3 Exclusion of other or implied variations

Except for a document which satisfies the requirements of Clauses 27.1 and 27.2, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrower or a Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law, and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

28. NOTICES

28.1 General

Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

28.2 Addresses for communications

A notice by letter or fax shall be sent:

(a)	to the Borrower:	c/o Approved Manager 16 Pantelis Street 175 64 Palaio Faliro Athens Greece Fax No.: +30 210 94 70 101 Attn:
(b)	to a Lender:	At the address below its name in Schedule 1 or (as the case may require) in the relevant Transfer Certificate.
(c)	to a Mandated Lead Arranger:	DNB Bank ASA 8th Floor, The Walbrook Building 25 Walbrook London EC4N 8AF England Fax No: +44 207 283 5935 Attn: Credit Middle Office & Agency Email: cmoalondon@DNB.no
(d)	to the Agent and the Security Trustee	DNB Bank ASA 8th Floor, The Walbrook Building 25 Walbrook London EC4N 8AF England Fax No: +44 207 283 5935 Attn: Credit Middle Office & Agency Email: cmoalondon@DNB.no
(e)	DNB Bank ASA Security Trustee	DNB Bank ASA 8th Floor, The Walbrook Building 25 Walbrook

London EC4N 8AF
England

Fax No: +44 207 283 5935
Attn: Shipping Offshore & Logistics

(f) to the Swap Bank: DNB Bank ASA
8th Floor, The Walbrook Building
25 Walbrook
London EC4N 8AF
England

Fax No: +44 207 283 5935
Attn: Shipping Offshore & Logistics

or to such other address as the relevant party may notify the Agent or, if the relevant party is the Agent or the Security Trustee, the Borrower, the Lenders, the Mandated Lead Arrangers, the Swap Bank and the Security Parties.

28.3 Effective date of notices

Subject to Clauses 28.4 and 28.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

28.4 Service outside business hours

However, if under Clause 28.3 a notice would be deemed to be served:

(a) on a day which is not a business day in the place of receipt; or

(b) on such a business day, but after 5 p.m. local time, the notice shall (subject to Clause 28.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

28.5 Illegible notices

Clauses 28.3 and 28.4 do not apply if the recipient of a notice notifies the sender within 1 hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

28.6 Valid notices

A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

28.7 Electronic communication

Any communication to be made between the Agent and a Lender or a Swap Bank under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender or the relevant Swap Bank:

(a) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(b) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(c) notify each other of any change to their respective addresses or any other such information supplied to them.

Any electronic communication made between the Agent and a Lender or a Swap Bank will be effective only when actually received in readable form and, in the case of any electronic communication made by a Lender or a Swap Bank to the Agent, only if it is addressed in such a manner as the Agent shall specify for this purpose.

28.8 English language

Any notice under or in connection with a Finance Document shall be in English.

28.9 Meaning of "notice"

In this Clause 28, "notice" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

29. SUPPLEMENTAL

29.1 Rights cumulative, non-exclusive

The rights and remedies which the Finance Documents give to each Creditor Party are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

29.2 Severability of provisions

If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

29.3 Counterparts

A Finance Document may be executed in any number of counterparts.

29.4 Third party rights

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

30. LAW AND JURISDICTION

30.1 English law

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

30.2 Exclusive English jurisdiction

Subject to Clause 30.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

30.3 Choice of forum for the exclusive benefit of Creditor Parties

Clause 30.2 is for the exclusive benefit of the Creditor Parties, each of which reserves the rights:

(a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

The Borrower shall not commence any proceedings in any country other than England in relation to a Dispute.

30.4 Process agent

The Borrower irrevocably appoints Nicolaou & Co at its registered office for the time being, presently at 25 Heath Drive, Potten Bar Herb, EN6 1EN, United Kingdom, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

30.5 Creditor Party rights unaffected

Nothing in this Clause 30 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

30.6 Meaning of "proceedings" and "Dispute"

In this Clause 30, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure and a "**Dispute**" means any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement).

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

LENDERS AND COMMITMENTS

Lender	**Lending Office**	**Commitment (US Dollars)**
DNB (UK) Limited	8th Floor The Walbrook Building 25 Walbrook London England	4,053,000
The Export-Import Bank of China	Transport Finance Dept. The Export-Import Bank of China No. 30 Fu Xing Men Nei Street Xicheng District Beijing China	9,457,000

SCHEDULE 2

DRAWDOWN NOTICE

To: DNB Bank ASA
8th Floor
The Walbrook Building
25 Walbrook
London
England

Attention: [ ]

[ ] 2016

DRAWDOWN NOTICE

1 We refer to the loan agreement (the "Loan Agreement") dated [•] 2016 and made between (i) ourselves, as Borrower, (ii) the Lenders referred to therein, (ii) DNB Bank ASA and the Export-Import Bank of China as Mandated Lead Arrangers, (iv) DNB Bank ASA as Swap Bank and (v) DNB Bank ASA as Agent and as Security Trustee in connection with a loan facility of US$13,510,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow the Loan as follows:

(a) Amount: US$13,510,000;

(b) Drawdown Date: [ ];

(c) Duration of the first Interest Period shall be [ ] months;

(d) Payment instructions : account of [ ] and numbered [ ] with [ ] of [ ].

3 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4. This notice cannot be revoked without the prior consent of the Majority Lenders.

_____

Attorney-in-Fact
for and on behalf of
WAKE SHIPPING COMPANY INC.

SCHEDULE 3

CONDITION PRECEDENT DOCUMENTS

PART A

The following are the documents referred to in Clause 9.1(a).

1 A duly executed original of this Agreement, the Corporate Guarantee, the Agency and Trust Agreement, the Master Agreement, the Account Pledge, the Shares Pledge and the Master Agreement Assignment (and of each document required to be delivered under each of those Finance Documents).

2 Copies of the certificate of incorporation and constitutional documents of the Borrower and each Security Party.

3 Copies of resolutions of the shareholders and directors of the Borrower and each Security Party (other than the Corporate Guarantor) authorising the execution of each of the Finance Documents to which the Borrower or that Security Party is a party and, in the case of the Borrower, authorising named officers and attorneys to give the Drawdown Notice and other notices under this Agreement.

4 Copies of resolutions of the executive committee of the Corporate Guarantor authorising the execution of each of the Finance Documents to which it is a party.

5 The original of any power of attorney under which any Finance Document is executed on behalf of the Borrower or any Security Party.

6 Copies of all consents which the Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document.

7 The originals of any mandates or other documents required in connection with the opening or operation of the Earnings Account.

8 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of Marshall Islands, England and such other relevant jurisdiction as the Agent may require.

9 Satisfactory completion of each Lender's compliance and due diligence requirements in connection with the "know your customer" process or similar identification procedures in relation to the transactions contemplated by the Finance Documents.

10 Evidence that the agent for service of process named in Clause 30 has accepted its appointment.

11 If the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

PART B

The following are the documents referred to in Clause 9.1(b).

1 A duly executed original of the Mortgage and the General Assignment (and of each document to be delivered under each of them).

2 Documentary evidence that:

(a) the Ship is definitively and permanently registered in the name of the Borrower under an Approved Flag State;

(b) the Ship is in the absolute and unencumbered ownership of the Borrower save as contemplated by the Finance Documents;

(c) the Ship maintains the highest available class with Bureau of Veritas free of all overdue recommendations and conditions of such Classification Society;

(d) the Mortgage has been duly registered against the Ship as a valid first preferred or, as the case may be, priority ship mortgage in accordance with the laws of the relevant Approved Flag State; and

(e) the Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with;

3 Documents establishing that the Ship will, as from the Drawdown Date, be managed by the Approved Manager on terms acceptable to the Lenders, together with:

(a) the Approved Manager's Undertaking;

(b) copies of the Approved Manager's document of compliance (DOC) and the safety management certificate (SMC) in respect of the Ship referred to in paragraph (a) of the definition of the ISM Code Documentation certified as true and in effect by the Borrower and the Approved Manager; and

(c) a copy of the International Ship Security Certificate in respect of the Ship certified as true and in effect by the Borrower and the Approved Manager.

4 A favourable opinion from an independent insurance consultant acceptable to and appointed by the Agent on such matters relating to the insurances for the Ship as the Agent may require.

5 Evidence satisfactory to the Agent that the Minimum Liquidity Amount is standing to the credit of the Earnings Account pursuant to Clause 11.20.

6 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of the Approved Flag State and such other relevant jurisdictions as the Lender may require.

7 If the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

Each of the documents specified in paragraphs 2, 3, 5 and 6 of Part A and every other copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the Borrower.

SCHEDULE 4

TRANSFER CERTIFICATE

The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.

To: DNB Bank ASA for itself and for and on behalf of the Borrower, each Security Party, the Security Trustee and each Lender and the Swap Bank, as defined in the Loan Agreement referred to below.

[ ]

1 This Certificate relates to a Loan Agreement (the "Loan Agreement") dated [•] May 2016 and made between (1) Wake Shipping Company Inc. (the "Borrower"), (2) the banks and financial institutions named therein as Lenders, (3) DNB Bank ASA and The Export-Import Bank of China as Mandated Lead Arranger and (4) DNB Bank ASA as Agent, as Security Trustee and as Swap Bank, for a loan facility of US$13,510,000.

2 In this Certificate, terms defined in the Loan Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate and:

"**Relevant Parties**" means the Agent, the Borrower, [each Security Party], the Security Trustee, each Lender and the Swap Bank;

"**Transferor**" means [full name] of [lending office]; and

"**Transferee**" means [full name] of [lending office].

3 The effective date of this Certificate is [•] Provided that this Certificate shall not come into effect unless it is signed by the Agent on or before that date.

4 The Transferor assigns to the Transferee absolutely all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Loan Agreement and every other Finance Document (other than the Master Agreement) in relation to [•] per cent. of its Contribution, which percentage represents $[•].

5 By virtue of this Certificate and Clause 26 of the Loan Agreement, the Transferor is discharged entirely from its Commitment which amounts to $[•]] [from [•] per cent. of its Commitment, which percentage represents $[•]] and the Transferee acquires a Commitment of $[•].

6 The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents (other than the Master Agreement) which Clause 26 of the Loan Agreement provides will become binding on it upon this Certificate taking effect.

7 The Agent, at the request of the Transferee (which request is hereby made) accepts, for the Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 26 of the Loan Agreement.

8 The Transferor:

(a) warrants to the Transferee and each Relevant Party that:

(i) the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which are required in connection with this transaction; and

(ii) this Certificate is valid and binding as regards the Transferor;

(b) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the assignment in paragraph 4 above; and

(c) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.

9 The Transferee

(a) confirms that it has received a copy of the Loan Agreement and each of the other Finance Documents;

(b) agrees that it will have no rights of recourse on any ground against either the Transferor, the Agent, the Security Trustee, either Mandated Lead Arranger, any Lender or the Swap Bank in the event that:

(i) any of the Finance Documents prove to be invalid or ineffective,

(ii) the Borrower or any Security Party fails to observe or perform its obligations, or to discharge its liabilities, under any of the Finance Documents;

(iii) it proves impossible to realise any asset covered by a Security Interest created by a Finance Document, or the proceeds of such assets are insufficient to discharge the liabilities of the Borrower or any Security Party under any of the Finance Documents;

(c) agrees that it will have no rights of recourse on any ground against the Agent, the Security Trustee, either Mandated lead Arranger, any Lender or the Swap Bank in the event that this Certificate proves to be invalid or ineffective;

(d) warrants to the Transferor and each Relevant Party that:

(i) it has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs to take or obtain in connection with this transaction; and

(ii) that this Certificate is valid and binding as regards the Transferee; and

(e) confirms the accuracy of the administrative details set out below regarding the Transferee

10 The Transferor and the Transferee each undertake with the Agent, the Mandated Lead Arrangers and the Security Trustee severally, on demand, fully to indemnify the Agent and/or the Mandated Lead Arrangers the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or any of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross and culpable negligence or dishonesty of the Agent's, the Mandated Lead Arrangers or the Security Trustee's own officers or employees.

11 The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 10 above as exceeds one-half of the amount demanded by the Agent or the Security Trustee in respect of a claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this paragraph

shall affect the liability of each of the Transferor and the Transferee to the Agent[, the Mandated Lead Arrangers] or the Security Trustee for the full amount demanded by it.

[Name of Transferor]
By:
Date:

[Name of Transferee]
By:
Date:

Agent
Signed for itself and for and on behalf of itself
as Agent and for every other Relevant Party
DNB Bank ASA
By:
Date:

Administrative Details of Transferee

Name of Transferee:

Lending Office:

Contact Person (Loan Administration Department):

Telephone:

Fax:

Contact Person

(Credit Administration Department):

Telephone:

Fax:

Account for payments:

Note: This Transfer Certificate alone may not be sufficient to transfer a proportionate share of the Transferor's interest in the security constituted by the Finance Documents in the Transferor's or Transferee's jurisdiction. It is the responsibility of each Lender to ascertain whether any other documents are required for this purpose.

EXECUTION PAGE

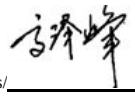
BORROWER

SIGNED by)
Margarita Veniou) /s/ Margarita Veniou
for and on behalf of)
WAKE SHIPPING COMPANY INC.)
in the presence of:) /s/ Artemis Danousi

LENDERS

SIGNED by:)
David Hopwood) /s/ David Hopwood
for and on behalf of)
DNB (UK) LIMITED)
in the presence of:) /s/ Michael Rufian

SIGNED by)

) /s/ 
for and on behalf of)
THE EXPORT-IMPORT BANK OF CHINA)
in the presence of:)

/s/ 

AGENT

SIGNED by)
Kelina Kantzou) /s/ Kelina Kantzou
for and on behalf of)
DNB BANK ASA)
in the presence of:) /s/ Artemis Danousi

SECURITY TRUSTEE

SIGNED by)
Kelina Kantzou) /s/ Kelina Kantzou
for and on behalf of)
ABN AMRO BANK N.V.)
in the presence of:) /s/ Artemis Danousi

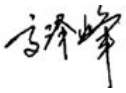
SWAP BANK

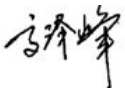
SIGNED by)
Kelina Kantzou) /s/ Kelina Kantzou
for and on behalf of)
DNB BANK ASA)
in the presence of:) /s/ Artemis Danousi

MANDATED LEAD ARRANGERS

SIGNED by:)
Kelina Kantzou) /s/ Kelina Kantzou
for and on behalf of)
DNB BANK ASA)
in the presence of:) /s/ Artemis Danousi

SIGNED by:)





) /s/

for and on behalf of)
THE EXPORT-IMPORT BANK OF CHINA)
in the presence of:)

/s/

Exhibit 4.29

December 3, 2015

THIRD AMENDMENT TO

LOAN AGREEMENT

---

relating to an unsecured term loan facility of
up to US$50,000 ,000 to be used for general
corporate purposes and working capital requirements

by and between

DIANA SHIPPING INC.
as Lender

-and-

ELUK SHIPPING COMPANY INC.
as Borrower

-and-

DIANA CONTAINERSHIPS INC.
as Guarantor

This **AMENDMENT** (the "Amendment") dated December 3, 2015 to that certain loan agreement dated as of May 20, 2013, as was amended on July 28, 2014 and further amended on September 9, 2015.

BETWEEN

(1) DIANA SHIPPING INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Lender"),** as lender;

(2) ELUK SHIPPING COMPANY INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 and any wholly-owned subsidiary of the Guarantor that becomes an Additional Borrower pursuant to Section 12 hereof (each a **"Borrower",** collectively the "Borrowers"), as borrowers; and

(3) DIANA CONTAINERSHIPS INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Guarantor"),** as guarantor.

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

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

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

(A) The term "calendar year" in Section 6.2 of the Loan Agreement is deleted and replaced with the term "12-month period" such that, as so amended, Section 6.2 of the Loan Agreement in its entirety reads as follows:

> **6.2** **Repayment Installments.** The Borrowers jointly and severally agree to repay the principal amount of the Loan in equal installments on the last day of each Interest Period (excluding the Repayment Date) in amounts totaling $5,000,000 per 12-month period, provided that the amount to be repaid pursuant to this Section 6.2 shall not exceed $32,500,000 in the aggregate.

(B) Confirmation of Agreement. Except as expressly set forth herein, the Agreement is ratified and confirmed in all respects and shall remain in full force and effect in accordance with its terms, and each reference in the Agreement to "this Agreement" shall mean the Agreement as amended by this Amendment.

(C) Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts (including by facsimile) and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument. This Amendment shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

(D) Governing Law. The laws of the State of New York shall govern the enforceability and validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties, without regard to the principles of conflicts of laws thereof.

[Signature page follows]

THIS AMENDMENT has been entered into on the date stated above

BORROWER

SIGNED by	)
Margarita Veniou	) /s/ Margarita Veniou
for and on behalf of	)
Eluk Shipping Company Inc.	)
in the presence of:	) /s/ Ioannis Zafirakis

GUARANTOR

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

LENDER

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

Exhibit 4.30

September 12, 2016

FOURTH AMENDMENT TO

LOAN AGREEMENT

---

relating to an unsecured term loan facility
of up to US$50,000,000 to be used for
general corporate purposes and working
capital requirements

by and between

DIANA SHIPPING INC.
as Lender

-and-

ELUK SHIPPING COMPANY INC.
as Outgoing Borrower

-and-

KAPA SHIPPING COMPANY INC.
as New Borrower

- and-

DIANA CONTAINERSHIPS INC.
as Guarantor

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

BETWEEN

(1) DIANA SHIPPING INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Lender"),** as lender;

(2) ELUK SHIPPING COMPANY INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960, as outgoing borrower (the **"Outgoing Borrower");**

(3) KAPA SHIPPING COMPANY INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 and any wholly-owned subsidiary of the Guarantor that becomes an Additional Borrower pursuant to Section 12 of the Principal Loan Agreement (each a **"New Borrower",** collectively the **"New Borrowers"),** as new borrowers; and

(4) DIANA CONTAINERSHIPS INC., a corporation incorporated under the laws of The Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Guarantor"),** as guarantor.

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

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

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

(A) **Novation.** With effect from the date of this Amendment, the New Borrower assumes and undertakes to perform all the obligations, duties and liabilities of the Outgoing Borrower under the Principal Loan Agreement as amended by this Amendment and as same may be further amended and/or supplemented in the future (the **"Loan Agreement")** and shall be bound by the terms and provisions of the Loan Agreement to the same extent and in the same manner as if it had been a party thereto as a borrower and the New Borrower shall be, and is hereby made, party to the Loan Agreement in substitution for the Outgoing Borrower, and the Loan Agreement shall henceforth be construed and treated in all respects

as if the New Borrower was named therein as "Borrower" instead of the Outgoing Borrower. With effect from the date of this Amendment the Outgoing Borrower is released and discharged from all liabilities, obligations, duties, claims and demands whatsoever arising out or connected with the Loan Agreement (including, without limitation, those under Section 9 of the Principal Loan Agreement).

(B) The definition of "Margin" in Section 1.1 of the Principal Loan Agreement is hereby deleted in its entirety and replaced with the following:

"Margin" means: (a) from 12 September 2016 until 31 December 2018 three point three five per cent (3.35%) per annum; and (b) at all other times three per cent (3.00%) per annum.

(C) A new Section 6.4 is hereby added in the Principal Loan Agreement reading as follows:

6.4 Notwithstanding anything else contained in this Section 6, there shall be no repayments of the principal amount of the Loan prior to the date that is the later of: (i) 15 September 2018 and (ii) the date when the Deferred Tranche (as defined in the RBS Loan Facility) under the $148,000,000 secured loan agreement with The Royal Bank of Scotland plc dated 10 September 2015 (the **"Original RBS Loan Facility")** entered into by, amongst others, the Guarantor as guarantor and certain of its subsidiaries as borrowers (the **"RBS Borrowers")** as amended and restated pursuant to an amendment agreement dated 12 September 2016 (the **"RBS Amendment Agreement"** and together with the Original RBS Loan Facility, the **"RBS Loan Facility"),** has been repaid or prepaid in full.

(D) Subordination of Loan Agreement. The amounts due to the Lender under the Loan Agreement are subordinated to the Indebtedness (as defined in the RBS Loan Facility) on the terms and subject to the conditions contained in an intercreditor agreement made or to be made between, amongst others, the New Borrower, the Guarantor, the Lender and The Royal Bank of Scotland plc as agent.

(E) Consent. The Lenders consent to the RBS Borrowers entering into the RBS Amendment Agreement.

(F) Confirmation of Agreement. Except as expressly set forth herein, the Principal Loan Agreement is ratified and confirmed in all respects and shall remain in full force and effect in accordance with its terms, and each reference in the Principal Loan Agreement to "this Agreement" shall mean the Principal Loan Agreement as amended by this Amendment.

(G) Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts (including by facsimile) and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document.

All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument. This Amendment shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

(H) Governing Law. The laws of the State of New York shall govern the enforceability and validity of this Amendment, the construction of its terms and the interpretation of the rights and duties of the parties, without regard to the principles of conflicts of laws thereof

[Signature page follows]

THIS AMENDMENT has been entered into on the date stated above

OUTGOING BORROWER

SIGNED by)
Margarita Veniou) /s/ Margarita Veniou
for and on behalf of)
Eluk Shipping Company Inc.)
in the presence of:)
/s/ Alexandra Markou

NEW BORROWER

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

GUARANTOR

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

LENDER

SIGNED by)
Simeon Palios) /s/ Simeon Palios
for and on behalf of)
Diana Shipping Inc.)
in the presence of:)
/s/ Margarita Veniou

Exhibit 4.31

Commonwealth Bank of Australia
1 New Ludgate
60 Ludgate Hill
London EC4M 7AW
United Kingdom

Telephone : +44 (0) 20 7710 3607
Email : simon.baker2@cba.com.au

Simon Baker
Director
Structured Asset Finance
Institutional Banking & Markets

15 February 2016

Taka Shipping Company Inc
c/o Approved Manager
16 Pendelis Street
175 64 Paleo Faliro
Athens
Greece

Attn: Chief Financial Officer

Email: amichalopoulos@dianashippinginc.com

Fayo Shipping Company Inc
c/o Approved Manager
16 Pendelis Street
175 64 Paleo Faliro
Athens
Greece

Attn: Chief Financial Officer

Email: amichalopoulos@dianashippinginc.com

Dear Andreas,

Loan Agreement between Taka Shipping Company Inc, Fayo Shipping Company Inc, and Commonwealth Bank of Australia dated 9 January 2014 ("Loan Agreement")

We refer to the Loan Agreement and we further refer to your request of 28 January 2016 for us to consider an amendment to clause 14.1 (Minimum required security cover) of the Loan Agreement only for the period from 31 December 2015 up to and including 31 December 2016 by the replacement of "125 per cent." with "110 per cent.". ("Waiver Request") Any capitalised term that is used in this letter but not defined in this letter shall have the meaning given to it in the Loan Agreement.

You have represented to us that the Waiver Request is made because (i) the aggregate Market Value of the my Artemis & my Melite provided by Braemar ACM Valuations Limited as at 31 December 2015 was less than 125% of the outstanding Loan under the Loan Agreement, and that (ii) such valuation represents a fair reflection of the Market Value.

We have considered the Waiver Request and have decided to consent to your Waiver Request and we hereby agree that Clause 14.1 of the Loan Agreement be amended for the period from 31 December 2015 up to and including 31 December 2016 by the replacement of "125 per cent." with "110 per cent." For the avoidance of doubt, unless we agree otherwise in writing, the aforementioned amendment will only be valid up to and including 31 December 2016 and from 1 January 2017, "125 per cent" shall again be the relevant percentage.

This amendment is granted upon the representations that you have made to us and subject to your agreement to provide updated valuations of the Ships by 31 July 2016 that comply with Clause 14.3 of the Loan Agreement.

Please note that a breach of the terms of this letter by you shall constitute an Event of Default entitling the Lenders to take any action pursuant to and in accordance with clause 18 of the Loan Agreement. Further, our consent to the Waiver Request is without prejudice to any other tights we have under the Loan Agreement.

This letter and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

Yours faithfully,

/s/ Simon Baker
For and on behalf of
Commonwealth Bank of Australia

We have read and understood the terms of your letter dated 15 February 2016 and hereby irrevocably and unconditionally confirm our agreement to the terms of the same and also agree that failure by us to satisfy timely the conditions referred to in the letter shall constitute an Event of Default.

/s/Andre-Nikolas Michalopoulos
For and on behalf of
Taka Shipping Company Inc
Andre-Nikolas Michalopoulos
Director and Treasurer

/s/Ioannis Zafirakis
For and on behalf of
Fayo Shipping Company Inc
Ioannis Zafirakis
Director and Treasurer

/s/Anastasios Margaronis
For and behalf of
Diana Shipping Inc. as the Guarantor
Anastasios Margaronis
Director and President

Exhibit 4.32

Commonwealth Bank of Australia
1 New Ludgate
60 Ludgate Hill
London EC4M 7AW
United Kingdom

Telephone : +44 (0) 20 7710 3607
Email : simon.baker2@cba.com.au

Simon Baker
Director
Structured Asset Finance
Institutional Banking & Markets

13 January 2017

Taka Shipping Company Inc
c/o Approved Manager
16 Pendelis Street
175 64 Paleo Faliro
Athens
Greece

Attn: Chief Financial Officer

Email: amichalopoulos@dianashippinginc.com

Fayo Shipping Company Inc
c/o Approved Manager
16 Pendelis Street
175 64 Paleo Faliro
Athens
Greece

Attn: Chief Financial Officer

Email: amichalopoulos@dianashippinginc.com

Diana Shipping Inc
16 Pendelis Street
175 64 Paleo Faliro
Athens
Greece
(the "Guarantor")

Dear Andreas,

Loan Agreement between Taka Shipping Company Inc, Fayo Shipping Company Inc, and Commonwealth Bank of Australia dated 9 January 2014 ("Loan Agreement")

We refer to the Loan Agreement and we further refer to our letter of 15 February 2016 in which we agreed to a temporary amendment to clause 14.1 (Minimum required security cover) of the Loan Agreement only for the period from 31 December 2015 up to and including 31 December 2D16 by the replacement of "125 per cent." with "110 per cent." ("Temporary Amendment"). Any capitalised term that is used in this letter but not defined in this letter shall have the meaning given to it in the Loan Agreement.

You have represented to us that (i) the aggregate Market Value of the my Artemis & my Melite based on a valuation provided by Braemar ACM Valuations Limited dated 15 December 2016 is still less than 125% of the outstanding Loan under the Loan Agreement, and that (ii) such valuation represents a fair reflection of the Market Value. On the basis of your representations, we agree to extend the duration of the Temporary Amendment to 30 June 2017.

For the avoidance of doubt, unless we agree otherwise in writing, the Temporary Amendment shall cease to apply from 30 June 2017 and from this date, clause 14.1 of the Loan Agreement shall again be read to include "125 per cent" as the relevant percentage in the last line of this clause.

Please note that a breach of the terms of this letter by you shall constitute an Event of Default entitling the Lenders to take any action pursuant to and in accordance with clause 18 of the Loan Agreement.

This letter and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

Yours sincerely,

/s/Simon Baker
Simon Baker
Director
For and on behalf of
Commonwealth Bank of Australia

We have read and understood the terms of your letter dated 13 January 2017 and hereby irrevocably and unconditionally confirm our agreement to the terms of the same and also agree that failure by us to satisfy timely the conditions referred to in the letter shall constitute an Event of Default.

/s/ S. Palios
S. Palios
Director and President

/s/ S. Palios
S. Palios
Director and President

/s/ A. Michalopoulos
A. Michalopoulos
Director and Treasurer

For and on behalf of
Taka Shipping Company Inc

/s/ I. Zafirakis
I. Zafirakis
Director and Treasurer

For and on behalf of
Fayo Shipping Company Inc

/s/ S. Palios
S. Palios
Director, Chief Executive
Officer & Chairman of the Board

/s/ A. Michalopoulos
Chief Financial Officer & Treasuer

For and behalf of
Diana Shipping Inc. as the Guarantor

Exhibit 4.33

AMENDMENT AGREEMENT

Date: 15 February 2017

1 Reference is made to the loan agreement dated 2 October 2010 (as amended and/or supplemented from time to time) (the **Loan Agreement)** and entered into between, *inter alios*, (1) Lae Shipping Company and Namu Shipping Company Inc. as joint and several borrowers (the **"Borrowers"),** (2) Diana Shipping Inc. as guarantor (the **"Corporate Guarantor"),** (3) DNB Bank ASA (then known as DnB NOR BANK ASA) and The Export-Import Bank of China as arrangers, (4) DNB Bank ASA (then known as DnB NOR BANK ASA) as swap provider, (5) DNB Bank ASA (then known as DnB NOR BANK ASA) as security agent (the **"Security Agent"),** agent (the **"Agent")** and account bank and (6) the banks and financial institutions referred to therein as lenders (the **"Banks"),** in relation to a loan of up to $82,600,000.

2 Words and expressions defined in the Loan Agreement shall, unless the context otherwise requires or unless otherwise defined herein, have the same meanings when used in this Agreement.

3 The Creditors hereby agree, following the Borrowers' request, that, with effect from the date of this Agreement, clause 4.1.5 of the Loan Agreement shall be amended (and is hereby amended) as follows:

"4.1.5 If one or more Banks wish to exercise their right under clause 4.1.3 in respect of an Advance, the Agent shall send to the Borrowers a written demand to this effect in respect of that Advance:

(a) in respect of the Namu Advance, by not earlier than the date falling fifty four (54) months after the Drawdown Date for such Advance and by not later than the date falling sixty (60) months after the Drawdown Date for such Advance; or

(b) in respect of the Lae Advance, at any time on or before 18 May 2017.

Neither the Agent nor any Bank shall be obliged to assign any reason to any decision to demand such repayment of an Advance under clause 4.1.3 above.".

4 The consent of the Creditors referred to in paragraph 3 above is given only on the condition and in consideration of the Borrowers and the Corporate Guarantor hereby agreeing with the Creditors that the Borrowers and the other Security Parties will comply or will procure compliance with the following terms at the times specified below:

(a) by no later than 15 February 2017, the Borrowers and the other Security Parties shall have executed this Agreement by signatories acceptable to the Agent in all respects;

(b) by no later than 23 February 2017, the Borrowers and the other Security Parties deliver to the Agent, such corporate authorisations or other evidence of the authority of each Security Party, in relation to the execution of this Agreement, in such form as the Agent may require in its absolute discretion; and

(c) by no later than 23 February 2017, each Borrower executes in favour of the Security Agent, in respect of its Ship, an addendum to the Mortgage of such Ship (each a **"Mortgage Addendum"** and together the **"Mortgage Addenda")** in form and substance satisfactory to the Agent and procures that each such Mortgage Addendum has been duly recorded with the relevant Registry of each such Ship.

5 Failure by the Borrowers and the other Security Parties to comply with any of the above conditions at the times specified above will constitute an Event of Default under the Loan Agreement.

6 This Agreement is supplemental to the Loan Agreement.

7 This Agreement constitutes a Security Document.

8 Save as amended or deemed amended by this Agreement, the provisions of the Loan Agreement shall continue in full force and effect and the Loan Agreement and this Agreement shall be read and construed as one instrument.

9 Each of the Borrowers, the Corporate Guarantor and the Manager hereby confirms its consent to the amendments to the Loan Agreement hereunder and the other arrangements contained in this Agreement, and further acknowledges and agrees that the Security Documents to which it is a party and its obligations, shall remain and continue to be in full force and effect notwithstanding the said amendments to the Loan Agreement and the other arrangements contained in this Agreement.

10 The provisions of clauses 17 (Notices) and 18 (Governing law and jurisdiction) of the Loan Agreement shall be incorporated into this Agreement as if set out in full herein and as if references to "this Agreement" were references to this Agreement.

11 This Agreement and any non-contractual obligations in connection with this Agreement are governed by, and shall be construed in accordance with English law.

SIGNATORIES

EXECUTED as a **DEED**)
By Anastasios Margaronis)
for and on behalf of) /s/ Anastasios Margaronis
LAE SHIPPING COMPANY INC.) Authorised Signatory
as Borrower) Signed in Switzerland
in the presence of: 15 February 2017

/s/ Sophia Fafalios
Witness
Name: Sophia Fafalios
Address: 1 Haversham Place, Merton Lane, London N6 6NG, United Kingdom
Occupation: Shipbroker

EXECUTED as a **DEED**)
By Anastasios Margaronis)
for and on behalf of) /s/ Anastasios Margaronis
NAMU SHIPPING COMPANY INC.) Director and Secretary
as Borrower) Signed in Switzerland
in the presence of: 15 February 2017

/s/ Sophia Fafalios
Witness
Name: Sophia Fafalios
Address: 1 Haversham Place, Merton Lane, London N6 6NG, United Kingdom
Occupation: Shipbroker

EXECUTED as a **DEED**)
By Anastasios Margaronis)
for and on behalf of) /s/ Anastasios Margaronis
DIANA SHIPPING INC.) Director and President
as Corporate Guarantor) Signed in Switzerland
in the presence of: 15 February 2017

/s/ Sophia Fafalios
Witness
Name: Sophia Fafalios
Address: 1 Haversham Place, Merton Lane, London N6 6NG, United Kingdom
Occupation: Shipbroker

EXECUTED as a **DEED**)
By Anastasios Margaronis)
for and on behalf of) /s/ Anastasios Margaronis
DIANA SHIPPING SERVICES S.A.) Director and Secretary
as Manager) Signed in Switzerland
in the presence of: 15 February 2017

/s/ Sophia Fafalios
Witness
Name: Sophia Fafalios
Address: 1 Haversham Place, Merton Lane, London N6 6NG, United Kingdom
Occupation: Shipbroker

EXECUTED as a **DEED**)
By David Hopwood and Ioannis Kariofyllidis)
for and on behalf of) /s/ David Hopwood /s/ Ioannis Kariofyllidis
DNB (UK) LIMITED) Authorised Signatory
as Bank)
in the presence of:

/s/ Vanessa Kerr
Witness
Name: Vanessa Kerr
Address: Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ United Kingdom
Occupation: Legal Transaction Assistant

EXECUTED as a **DEED**)
By David Hopwood and Ioannis Kariofyllidis)
for and on behalf of) /s/ David Hopwood /s/ Ioannis Kariofyllidis
DNB BANK ASA (formerly known as DNB NOR BANK ASA)) Authorised Signatory
as Arranger)
in the presence of:

/s/ Vanessa Kerr
Witness
Name: Vanessa Kerr
Address: Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ United Kingdom
Occupation: Legal Transaction Assistant

EXECUTED as a **DEED**)
By .....)
for and on behalf of
) /s/ .....
THE EXPORT-IMPORT BANK OF CHINA) Authorised Signatory
as Manager)
in the presence of:

/s/ Luo Weibo
Witness
Name: Luo Weibo
Address: No. 30, FuXingMenNei street, Xicheng District, Beijing 100031, P.R. China
Occupation: Project Manager

EXECUTED as a **DEED**)
By David Hopwood and Ioannis Kariofyllidis)
for and on behalf of) /s/ David Hopwood /s/ Ioannis Kariofyllidis
DNB BANK ASA (formerly known as DNB NOR BANK ASA)) Authorised Signatory
as Swap Provider)
in the presence of:

/s/ Vanessa Kerr
Witness
Name: Vanessa Kerr
Address: Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ United Kingdom
Occupation: Legal Transaction Assistant

EXECUTED as a **DEED**)
By David Hopwood and Ioannis Kariofyllidis)
for and on behalf of) /s/ David Hopwood /s/ Ioannis Kariofyllidis
DNB BANK ASA (formerly known as DNB NOR BANK ASA)) Authorised Signatory
as Security Agent)
in the presence of:

/s/ Vanessa Kerr
Witness
Name: Vanessa Kerr
Address: Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ United Kingdom
Occupation: Legal Transaction Assistant

EXECUTED as a **DEED**)
By David Hopwood and Ioannis Kariofyllidis)
for and on behalf of) /s/ David Hopwood /s/ Ioannis Kariofyllidis
DNB BANK ASA (formerly known as DNB NOR BANK ASA)) Authorised Signatory
as Agent)
in the presence of:

/s/ Vanessa Kerr
Witness
Name: Vanessa Kerr
Address: Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ United Kingdom
Occupation: Legal Transaction Assistant

EXECUTED as a **DEED**)
By David Hopwood and Ioannis Kariofyllidis)
for and on behalf of) /s/ David Hopwood /s/ Ioannis Kariofyllidis
DNB BANK ASA (formerly known as DNB NOR BANK ASA)) Authorised Signatory
as Account Bank)
in the presence of:

/s/ Vanessa Kerr
Witness
Name: Vanessa Kerr
Address: Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ United Kingdom
Occupation: Legal Transaction Assistant

Exhibit 8.1

SUBSIDIARIES AS AT DECEMBER 31, 2016

Subsidiary	**Country of Incorporation**
Ailuk Shipping Company Inc.	Marshall Islands
Bikar Shipping Company Inc.	Marshall Islands
Bikini Shipping Company Inc.	Marshall Islands
Erikub Shipping Company Inc.	Marshall Islands
Gala Properties Inc.	Marshall Islands
Guam Shipping Company Inc.	Marshall Islands
Jaluit Shipping Company Inc.	Marshall Islands
Jemo Shipping Company Inc.	Marshall Islands
Kili Shipping Company Inc.	Marshall Islands
Knox Shipping Company Inc.	Marshall Islands
Lae Shipping Company Inc.	Marshall Islands
Lib Shipping Company Inc.	Marshall Islands
Mandaringina Inc.	Marshall Islands
Majuro Shipping Company Inc.	Marshall Islands
Namu Shipping Company Inc.	Marshall Islands
Palau Shipping Company Inc.	Marshall Islands
Taka Shipping Company Inc.	Marshall Islands
Tuvalu Shipping Company Inc.	Marshall Islands
Wotho Shipping Company Inc.	Marshall Islands
Aster Shipping Company Inc.	Marshall Islands
Aerik Shipping Company Inc.	Marshall Islands
Pulap Shipping Company Inc.	Marshall Islands
Bokak Shipping Company Inc.	Marshall Islands
Makur Shipping Company Inc.	Marshall Islands
Jabat Shipping Company Inc.	Marshall Islands
Fayo Shipping Company Inc.	Marshall Islands
Weno Shipping Company Inc.	Marshall Islands
Lelu Shipping Company Inc.	Marshall Islands
Houk Shipping Company Inc.	Marshall Islands
Ujae Shipping Company Inc.	Marshall Islands
Rairok Shipping Company Inc.	Marshall Islands
Toku Shipping Company Inc.	Marshall Islands
Kaben Shipping Company Inc.	Marshall Islands
Wake Shipping Company Inc.	Marshall Islands
Taroa Shipping Company Inc.	Marshall Islands
Husky Trading, S.A.	Panama
Buenos Aires Compania Armadora S.A.	Panama
Changame Compania Armadora S.A.	Panama
Chorrera Compania Armadora S.A.	Panama
Cypres Enterprises Corp.	Panama
Darien Compania Armadora S.A.	Panama
Diana Shipping Services S.A.	Panama
Eaton Marine S.A.	Panama
Panama Compania Armadora S.A.	Panama
Skyvan Shipping Company S.A.	Panama
Texford Maritime S.A.	Panama
Urbina Bay Trading, S.A.	Panama
Vesta Commercial, S.A.	Panama
Marfort Navigation Company Limited	Cyprus
Silver Chandra Shipping Company Limited	Cyprus
Bulk Carriers (USA) LLC	United States (Delaware)

EXHIBIT 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Simeon Palios, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Shipping Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 17, 2017

/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. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 17, 2017

/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, 2016 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: February 17, 2017

/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, 2016 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: February 17, 2017

/s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer and Treasurer (Principal Financial Officer)

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form F-3 No. 333-205491) of Diana Shipping Inc. and in the related Prospectus of our reports dated February 17, 2017, with respect to the consolidated financial statements of Diana Shipping Inc., and the effectiveness of internal control over financial reporting of Diana Shipping Inc., included in this Annual Report (Form 20-F) for the year ended December 31, 2016.

/s/ Ernst & Young (Hellas) Certified Auditors-Accountants S.A.
Athens, Greece
February 17, 2017