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

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

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

For the transition period from_____to_____

OR

[_] **SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report. . . . . .

Commission file number 001-35025

DIANA CONTAINERSHIPS INC.
(Exact name of Registrant as specified in its charter)

Diana Containerships Inc.
(Translation of Registrant's name into English)

Republic of the Marshall Islands
(Jurisdiction of incorporation or organization)

Pendelis 18, 175 64 Palaio Faliro, Athens, Greece
(Address of principal executive offices)

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

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

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value	Nasdaq Global Market
Preferred stock purchase rights	Nasdaq Global Market

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
(Title of Class)

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, 2015, there were 73,890,581 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 [X] 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 [X] 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.

[X] 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).

[X] 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 [X] 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 [X] International Financial Reporting Standards as issued by the International Accounting Standards Board [_] Other [_]

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

[_] Item 17 [_] Item 18

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

[_] Yes [X] No

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

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

[_] Yes [_] No

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FORWARD-LOOKING STATEMENTS

Diana Containerships 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", "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "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 Containerships Inc. and its subsidiaries, unless the context requires otherwise.

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 container 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, potential disruption of shipping routes due to accidents, labor disputes 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.

We caution readers of this annual report not to place undue reliance on any 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 and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, 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.

	For the years ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
	(in thousands of U.S. dollars, except for share and per share data)				
Statement of Operations Data:					
Time charter revenues	$ 70,746	$ 65,678	$ 74,337	$ 68,835	$ 26,992
Prepaid charter revenue amortization	(8,566)	(11,610)	(20,322)	(12,204)	-
Time charter revenues, net	62,180	54,068	54,015	56,631	26,992
Voyage expenses	2,619	332	705	1,404	731
Vessel operating expenses	35,847	26,559	30,870	28,969	11,134
Depreciation and amortization of deferred charges	13,140	10,309	11,070	12,476	5,937
Management fees	-	-	305	1,551	650
General and administrative expenses	6,194	6,306	5,059	3,468	3,442
Impairment losses	6,607	-	42,323	-	-
Loss on vessels' sale	8,300	695	16,481	-	-
Foreign currency losses / (gains)	(55)	17	66	(194)	18
Operating income / (loss)	(10,472)	9,850	(52,864)	8,957	5,080
Interest and finance costs	(7,166)	(6,746)	(4,554)	(3,066)	(1,604)
Interest income	107	134	72	78	154
Net income / (loss)	$ (17,531)	$ 3,238	$ (57,346)	$ 5,969	$ $ 3,630
Earnings / (loss) per common share, basic and diluted	$ (0.24)	$ 0.06	$ (1.73)	$ 0.22	$ $ 0.23
Dividends declared and paid, per share	$ 0.01	$ 0.21	$ 0.90	$ 1.00	$ 0.18
Weighted average number of common shares, basic	72,876,441	51,645,071	33,159,328	26,934,533	15,536,028
Weighted average number of common shares, diluted	72,876,441	51,645,071	33,159,328	26,934,533	15,543,916

	As of and for the years ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands of U.S. dollars, except for fleet data and average daily results)				
Balance Sheet Data:					
Cash and cash equivalents	$ 29,388	$ 82,003	$ 19,685	$ 31,526	$ 41,354
Total current assets	34,914	86,446	22,980	36,912	43,559
Vessels' net book value	384,549	306,094	265,372	260,945	158,827
Property and equipment, net	987	1,089	321	-	-
Restricted cash	9,000	9,870	9,870	9,270	-
Total assets	435,723	409,263	316,709	337,045	210,011
Total current liabilities	24,697	9,290	3,779	6,110	3,114
Long-term bank debt (net of unamortized deferred financing costs)	142,678	98,298	98,102	91,906	-
Related party financing	48,950	50,867	50,233	-	-
Common stock	739	731	350	322	231
Total stockholders' equity	$ 239,174	$ 256,443	$ 164,465	$ 238,758	$ 206,533
Cash Flow Data:					
Net cash provided by operating activities	$ 17,445	$ 25,487	$ 31,740	$ 31,346	$ 12,504
Net cash used in investing activities	(111,751)	(51,636)	(81,663)	(149,960)	(79,321)
Net cash provided by financing activities	41,691	88,467	38,082	108,786	97,073
Fleet Data:					
Average number of vessels (1)	12.6	8.8	9.6	8.6	3.6
Number of vessels at end of period	14.0	11.0	9.0	10.0	5.0
Ownership days (2)	4,600	3,198	3,516	3,156	1,320
Available days (3)	4,515	3,198	3,516	3,156	1,320
Operating days (4)	4,155	3,189	3,442	3,150	1,311
Fleet utilization (5)	92.0%	99.7%	97.9%	99.8%	99.3%
Average Daily Results:					
Time charter equivalent (TCE) rate (6)	$ 13,192	$ 16,803	$ 15,162	$ 17,499	$ 19,895
Daily vessel operating expenses (7)	7,793	8,305	8,780	9,179	8,435

(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. 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.

(6) Time charter equivalent rates, or TCE rates, are defined as our time charter revenues, net, 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 provide 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.

	For the years ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
	(in thousands of U.S. dollars, except for available days and TCE rate)				
Time charter revenues, net of prepaid charter revenue amortization	$ 62,180	$ 54,068	$ 54,015	$ 56,631	$ 26,992
Less: voyage expenses	(2,619)	(332)	(705)	(1,404)	(731)
Time charter equivalent revenues	$ 59,561	$ 53,736	$ 53,310	$ 55,227	$ 26,261
Available days	4,515	3,198	3,516	3,156	1,320
Time charter equivalent (TCE) rate	$ 13,192	$ 16,803	$ 15,162	$ 17,499	$ 19,895

(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, regulatory fees, environmental costs and other miscellaneous expenses are calculated by dividing vessel operating expenses by ownership days for the relevant period.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

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

Industry Specific Risk Factors

The containership sector is cyclical and volatile, with charter hire rates and profitability at reduced levels, and the continued global economic downturn has resulted in decreased demand for container shipping.

Our growth generally depends on continued growth in world and regional demand for containership services, and the global economic slowdown that commenced in 2008 and from which the global economy has not fully recovered resulted in decreased demand for containerships and a related decrease in charter rates that have not fully recovered.

The ocean-going containership sector is both cyclical and volatile in terms of charter hire rates and profitability. Containership charter rates peaked in 2005 and generally stayed strong until the middle of 2008, when the effects of the 2008 economic crisis began to affect global container trade. Containership charter rates subsequently improved and stabilized somewhat, although rates declined in 2015 and may remain below their long-term averages and decline further. Fluctuations in charter rates result from changes in the supply and demand for ship capacity and changes in the supply and demand for the major products internationally transported by containerships. The factors affecting the supply and demand for containerships and supply and demand for products shipped in containers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters upon their expiration or termination, most of which are scheduled to expire in 2016, assuming the earliest redelivery dates, at rates sufficient to allow us to meet our obligations or at all.

The factors that influence demand for containership capacity include:

- supply and demand for products suitable for shipping in containers;
- changes in global production of products transported by containerships;
- the distance container cargo products are to be moved by sea;
- the globalization of manufacturing;
- global and regional economic and political conditions;
- developments in international trade;
- changes in seaborne and other transportation patterns, including changes in the distances over which container cargoes are transported;
- environmental and other regulatory developments;
- currency exchange rates;
- weather; and
- cost of bunkers.

The factors that influence the supply of containership capacity include:

- the number of newbuilding orders and deliveries;
- the extent of newbuilding vessel deferrals;
- the scrapping rate of older containerships;
- newbuilding prices and containership owner access to capital to finance the construction of newbuildings;
- charter rates and the price of steel and other raw materials;

changes in environmental and other regulations that may limit the useful life of containerships;

the number of containerships that are sailing at reduced speed, or slow-steaming, to conserve fuel;

the number of containerships that are out of service;

port congestion and canal closures; and

demand for fleet renewal.

Our ability to employ any containerships that we acquire in the future and recharter our containerships upon the expiration or termination of their current charters, and the charter rates payable under any charters or renewal options or replacement charters will depend upon, among other things, the prevailing state of the containership charter market, which can be affected by consumer demand for products shipped in containers. For instance, we have vessels whose charter expire in 2016, for which the current one-year time charter rate is significantly less than the charter rate payable under the charters we currently have in place. When our containerships' charters expire, we may be forced to recharter our containerships at reduced or even unprofitable rates, or we may not be able to recharter our vessels at all, which may reduce or eliminate our earnings or make our earnings volatile. The same issues will exist if we acquire additional vessels and attempt to obtain multi-year time charter arrangements as part of our acquisition and financing plan, which may affect our ability to operate our vessels profitably. The containership market also affects the value of our vessels, which follow the trends of freight rates and containership rates.

Liner companies, which are the most significant charterers of containerships, have been placed under significant financial pressure, thereby increasing our charter counterparty risk.

The decline in global trade as a result of the lingering effects of the economic slowdown has resulted in a significant decline in demand for the seaborne transportation of products in containers, including for exports from China to Europe and the United States. Consequently, the cargo volumes and freight rates achieved by liner companies, which charter containerships from ship owners like us, declined sharply in the second half of 2011, and continued to be weak throughout 2012 and 2013, especially for medium to smaller size containerships. Freight rates remained below their historical averages throughout 2014 and 2015, which has adversely affected their profitability. The financial challenges faced by liner companies, some of which announced efforts to obtain third party aid and restructure their obligations, have reduced demand for containership charters compared to historical averages. The combination of the current surplus of containership capacity and the expected increase in the size of the world containership fleet over the next several years may make it difficult to secure substitute employment for our containerships if our counterparties fail to perform their obligations under the currently arranged time charters, and any new charter arrangements we are able to secure may be at lower rates.

We are dependent upon a limited number of customers in a consolidating industry for a large part of our revenues. The loss of these customers could adversely affect our financial performance.

Most of our vessels are currently employed on time charter, to an aggregate of 6 different charterers. Should charter rates for containerships improve, we will seek to charter a greater portion of our containerships pursuant to medium- and long-term fixed-rate time charters with leading liner companies, and we may remain dependent upon a limited number of liner operators. In addition, in recent years there have been significant examples of consolidation in the containership sector. Financial difficulties in the industry may accelerate the trend towards consolidation. The cessation of business with liner companies to which our vessels are chartered or their failure to fulfill their obligations under the charters for our containerships could have a material adverse effect on our financial condition and results of operations, as well as our cash flows and our ability to pay dividends to our shareholders.

An over-supply of containership capacity may lead to a further reduction in charter rates, which may limit our ability to operate our vessels profitably or at all.

According to industry sources, as of March 1, 2015, newbuilding containerships with an aggregate capacity of 3.268 million TEUs, representing approximately 17.7% of the total worldwide containership fleet capacity as of that date, were on order. The size of the orderbook when compared to the fleet is small relative to historical levels and will result in the increase in the size of the world containership fleet over the next few years. However, the orderbook remains heavily skewed towards ships of at least 8,000 TEU in size. An over-supply of containership capacity, combined with a decline in the demand for containerships, may result in a further reduction of charter hire rates. If such a reduction continues in the future, we may only be able to charter our fleet for reduced rates or unprofitable rates or we may not be able to charter our containerships at all.

The reduction in charter rates may cause certain vessel owners or operators, including us, to elect to "lay up" one or more of its vessels for an extended period of time. The lay up of a vessel significantly reduces the vessel's operating costs during the lay up period, but the owners will continue to incur certain expenses relating to maintenance, insurance and debt service costs, among others. In addition, vessel owners will incur expenditures to re-commission a vessel and place it back into service, the amount of which cannot generally be determined at the time of lay up. These expenditures may be extensive, and may delay the eventual re-activation of the vessel until such time as the owner determine that there is a sustainable rebound in charter rates, which may result in lost earnings during the early stages of a recovery.

The current state of global financial markets and current economic conditions may adversely impact our ability to obtain financing on acceptable terms or at all, which may hinder or prevent us from expanding our business.

Global financial markets and economic conditions have been, and 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. A weak state of global financial markets and economic conditions might adversely impact our ability to issue additional equity at prices that will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

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 financing will be available if needed, and to the extent required, on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to enhance our existing business, 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. An extended period of adverse development in the outlook for European countries could reduce the overall demand for consumer products and consequently for our services. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, results of operations and cash flow.

Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a planned economy. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year State Plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms were undertaken, with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. If the Chinese government does not continue to pursue a policy of economic reform, 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, such as changes in laws, regulations or export and import restrictions, all of which could adversely affect our business, operating results and financial condition.

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

China exports considerably more goods than it imports. Our containerships may be deployed on routes involving containerized trade in and out of emerging markets, and our charterers' container 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 container shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a "market economy" and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our charterers' business and have a material adverse impact on our business, results of operations and financial condition.

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

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

Vessel values may fluctuate, which may adversely affect our financial condition, result in the incurrence of a loss upon disposal of a vessel, impairment losses or increases in the cost of acquiring additional vessels.

Vessel values may fluctuate due to a number of different factors, including: general economic and market conditions affecting the shipping industry; competition from other shipping companies; the types and sizes of available vessels; the availability of other modes of transportation; increases in the supply of vessel capacity; the cost of newbuildings; governmental or other regulations; and the need to upgrade secondhand and previously owned vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise. In addition, as vessels grow older, they generally decline in value. Due to the cyclical nature of the containership market, if for any reason we sell any of our owned vessels at a time when prices are depressed, we could incur a loss and our business, results of operations, cash flow and financial condition could be adversely affected. Moreover, if the book value of a vessel is impaired due to unfavorable market conditions we may incur a loss that could adversely affect our operating results. For example, during 2015, impairment losses were recorded for one of our vessels, as our impairment test exercise indicated that its carrying value was not recoverable.

Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of acquisition may increase and this could adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends to our shareholders.

The containership sector is highly competitive, and we may be unable to compete successfully for charters with established companies or new entrants that may have greater resources and access to capital, which may have a material adverse effect on us.

The containership sector is a highly competitive industry that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom may have greater resources and access to capital than we have. Competition among vessel owners for the seaborne transportation of semi-finished and finished consumer and industrial products can be intense and depends on the charter rate, location, size, age, condition and the acceptability of the vessel and its operators to charterers. Due in part to the highly fragmented market, many of our competitors with greater resources and access to capital than we have could operate larger fleets than we may operate and thus be able to offer lower charter rates or higher quality vessels than we are able to offer. If this were to occur, we may be unable to retain or attract new charterers on attractive terms or at all, which may have a material adverse effect on our business, prospects, financial condition, liquidity and results of operations.

An increase in operating costs could adversely affect our cash flows and financial condition.

Vessel operating expenses include the costs of crew, provisions, deck and engine stores, lube oil, bunkers, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance and enhanced security measures implemented after September 11, 2001 and as a result of increases in the frequency of acts of piracy, have been increasing. 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. Increases in any of these costs could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends to our shareholders.

Change to the price of fuel, or bunkers, may adversely affect profits.

While we generally do 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. While the price of fuel is currently at relatively 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 and regulations.

Further, despite the low fuel prices in 2015 and the beginning of 2016, 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.

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

The international containership sector is subject to additional 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 of containers and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers.

It is possible that changes to existing inspection procedures will be proposed or implemented. Any such changes may affect the containership sector and have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods by container uneconomical or impractical. These additional costs could reduce the volume of goods shipped in containers, resulting in a decreased demand for containerships. In addition, it is unclear what financial costs any new security procedures might create for containership owners and operators. Any additional costs or a decrease in container volumes could have an adverse impact on our ability to attract customers and therefore have an adverse impact on our ability to operate our vessels profitably.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle under which the machinery would be surveyed periodically over a five-year period. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable. This could negatively impact our results of operations and financial condition.

We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our cash flows and net income.

Our business and the operations of our containerships are materially affected by environmental regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which our containerships operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions (including greenhouse gases), water discharges and ballast water management. These regulations include, but are not limited to, European Union regulations, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard and the U.S. Environmental Protection Agency, or EPA, the U.S. Clean Air Act, the U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, and regulations of the United Nation's International Maritime Organization, or the IMO, including the International Convention on Civil Liability for Oil Pollution Damage of 1969, the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Pollution from Ships of 1973, or MARPOL, including designations of Emission Control Areas, or ECAs thereunder, the IMO International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, the International Convention of Civil Liability for Bunker Oil Pollution Damage, and the International Management Code for the Safe Operation of Ships and Pollution Prevention. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such requirements or the impact thereof on the re-sale price or useful life of any containership that we own or will acquire. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. Government regulation of vessels, particularly in the areas of safety and environmental requirements, continue to change, requiring us to incur significant capital expenditures on our vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. In addition, we may incur significant costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential environmental violations and in obtaining insurance coverage. For example, the cost of compliance with any new emissions regulation that may be adopted by the United Nations Framework Convention on Climate Change may be substantial, or we may face substantial taxes on bunkers. Additionally, we cannot predict the cost of compliance with any new regulation that may be promulgated by the United States as a result of the 2010 BP plc Deepwater Horizon oil spill in the Gulf of Mexico.

In addition, we are subject to the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, adopted by the IMO in 2004. The BWM Convention requires vessels to install expensive ballast water treatment at the first MARPOL renewal survey after the convention becomes effective. The BWM Convention will enter into force 12 months after the date on which no less than 30 states, and the combined merchant fleets of which constitute no less than 35% of the gross tonnage of the world's merchant shipping, have either signed it without reservation as to ratification, acceptance or approval, or have deposited the requisite instruments of ratification, acceptance, approval or accession. The process to verify global tonnage figures to assess the BWM Convention's entry into force has completed. As of February 2016, 47 states have ratified the BWM Convention, but their combined fleets comprise 34.35% of the gross tonnage of the world's merchant fleet, just under the 35% required for entry into force.

The operation of our containerships is also affected by the requirements set forth in the International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject us to increased liability, may decrease available insurance coverage for the affected ships and may result in denial of access to, or detention in, certain ports.

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

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

We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business.

Our success will depend in large part on our ability and the ability of Unitized Ocean Transport Limited, which we refer to as UOT or our Manager, our wholly-owned subsidiary, to attract and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. If we are not able to increase our rates to compensate for any crew cost increases, it could have a material adverse effect on our business, results of operations, cash flows and financial condition. Any inability we, or our Manager, experience in the future to hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Labor interruptions could disrupt our business.

Our vessels are manned by masters, officers and crews that are employed by our vessel-owning subsidiaries. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out normally and could have a material adverse effect on our financial condition, results of operations and cash flows.

Our vessels may suffer damage due to the inherent operational risks of the seaborne transportation industry and we may experience unexpected drydocking costs or delays, which may adversely affect our business and financial condition.

Our vessels and their cargoes may be at risk of being damaged or lost because of events such as:

marine disasters;

bad weather;

business interruptions caused by mechanical failures;

grounding, fire, explosions and collisions; and

human error, war, terrorism, piracy and other circumstances or events.

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 relative 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 results of operations and financial condition.

Continuing conflicts and recent developments in the Middle East, including Syria, and North Africa, including Libya and Egypt, 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 Guinea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea 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 Gulf of Guinea. Acts of piracy could result in harm or danger to the crews that man our vessels. In addition, if these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden has been since May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking, involving the hostile detention of a vessel, 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, results of operations.

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

While none of our vessels called on ports located in countries subject to U.S. sanctions during 2015, and we intend to comply with all applicable sanctions and embargo laws and regulations, there can be no assurance that we will maintain such compliance, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. 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 former Iran Sanctions Act. Among other things, CISADA expanded the application of the prohibitions to additional activities of non-U.S. companies and introduced 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.

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

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

Due to the nature of our business and the evolving nature of the foregoing sanctions and embargo laws and regulations, there can be no assurance that we will be in compliance at all times in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any violation of such restrictions 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.

Current or future counterparties of ours may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the Obama administration, the European Union and/or other international bodies as a result of the annexation of Crimea by Russia in March 2014. If we determine that such sanctions require us to terminate existing or future contracts to which we or our subsidiaries are party or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm. Currently, we do not believe that any of our existing counterparties are affiliated with persons or entities that are subject to such sanctions.

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 loss of earnings.

A government of a vessel's registry could requisition for title or seize one or more of our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Even if we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of the payment would be uncertain. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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

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

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

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

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

There is a lack of historical operating history provided with our secondhand vessel acquisitions and profitable operation of the vessels will depend on our skill and expertise.

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, neither we nor our Manager will conduct any historical financial due diligence process when we acquire vessels. Accordingly, neither we nor our Manager will obtain the historical operating data for any secondhand vessels we may acquire in the future from the sellers because that information is not material to our decision to make acquisitions, nor do we believe it would be helpful to potential investors in assessing our business or profitability. Most vessels are sold under a standardized agreement, which, among other things, provides the buyer with the right to inspect the vessel and the vessel's classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller's technical manager and the seller is automatically terminated and the vessel's trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business. Although vessels are generally acquired free of charter, we have acquired and may also in the future acquire some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter, and 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's entering into a separate direct 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.

Due to the differences between the prior owners of these vessels and the Company with respect to the routes we expect to operate, our future customers, the cargoes we expect to carry, the freight rates and charter hire rates we will charge in the future and the costs we expect to incur in operating our vessels, we believe that our operating results will be significantly different from the operating results of the vessels while owned by the prior owners. Profitable operation of the vessels will depend on our skill and expertise. If we are unable to operate the vessels profitably, it may have an adverse effect on our financial condition, results of operations and cash flows.

Company Specific Risk Factors

The market values of our vessels are highly volatile and have decreased and may continue to decrease in the future, which could limit the amount of funds that we can borrow under our loan facilities.

The fair market value of our vessels is related to prevailing freight charter rates. While the fair market value of vessels and the freight charter market have a very close relationship as the charter market moves from trough to peak, the time lag between the effect of charter rates on market values of ships can vary. The fair market values of our vessels have generally experienced high volatility, and you should expect the market value of our vessels to fluctuate depending on a number of factors including:

the prevailing level of charter hire rates;

general economic and market conditions affecting the shipping industry;

competition from other shipping companies and other modes of transportation;

the types, sizes and ages of vessels;

the supply and demand for vessels;

applicable governmental regulations;

technological advances; and

the cost of newbuildings.

The market values of our vessels may remain low or decrease, which could cause us to breach covenants in our loan agreements and adversely affect our operating results.

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

Our growth in the future depends on our ability to successfully charter our vessels, for which we will face substantial competition.

The process of obtaining new long-term time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. Containership charters are awarded based upon a variety of factors relating to the vessel operator, including:

shipping industry relationships and reputation for customer service and safety;

containership experience and quality of ship operations, including cost effectiveness;

quality and experience of seafaring crew;

the ability to finance containerships at competitive rates and financial stability generally;

relationships with shipyards and the ability to get suitable berths;

construction management experience, including the ability to obtain on-time delivery of new ships according to customer specifications;

willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and

competitiveness of the bid in terms of overall price.

We expect substantial competition for providing new containership service from a number of experienced companies, including state-sponsored entities and major shipping companies. Many of these competitors have significantly greater financial resources than we do, and can therefore operate larger fleets and may be able to offer better charter rates. As a result of these factors, we may be unable to obtain new customers on a profitable basis, if at all, which will impede our ability to establish our operations and implement our growth successfully.

Furthermore, if our vessels become available for employment under new time charters during periods when charter rates are at depressed levels, we may have to employ our containerships at depressed charter rates, if we are able to secure employment for our vessels at all, which would lead to reduced or volatile earnings. Future charter rates may not be at a level that will enable us to operate our containerships profitably to allow us to implement our growth strategy successfully, pay dividends or repay our debt.

We cannot assure you that our board of directors will declare dividends.

In 2015, 2014 and 2013 we made dividend payments in the aggregate amount of $0.01, $0.21 and $0.90 per share, respectively, and have declared a dividend of $0.0025 per share on March 1, 2016, with respect to the fourth quarter of 2015. We currently intend to declare a variable quarterly dividend each February, May, August and November equal to available cash from operations during the previous quarter after the payment of 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, after taking into account contingent liabilities, the terms of any credit facility, 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. The international containership sector is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash that is available for the payment of dividends.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described in this section of the annual report. 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 would 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. In addition, any credit facilities that we may enter into in the future may include restrictions on our ability to pay dividends.

The failure of our counterparties to meet their obligations to us under any vessel purchase agreements or time charter agreements could cause us to suffer losses or otherwise adversely affect our business.

Currently, we have secured time charters for our operating vessels with minimum remaining durations up to 7 months. Generally, we intend to selectively employ our vessels under short-, medium- or long-term time charters. The ability and willingness of each of our counterparties to perform its obligations under a vessel purchase agreement or time charter agreement 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 containership market and the overall financial condition of the counterparty. If the seller of a vessel fails to deliver a vessel to us as agreed, or if we cancel a purchase agreement because a seller has not met its obligations, this may have a material adverse effect on our business. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters and our future customers may fail to pay charterhire or attempt to renegotiate charter rates. If our future charterers fail to meet their obligations to us or attempt to renegotiate our future charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be unable to locate suitable vessels or dispose of vessels at reasonable prices which would adversely affect our ability to operate our business.

We intend to further grow our fleet through selective acquisitions. Our business strategy is dependent on identifying and purchasing suitable vessels. Changing market and regulatory conditions may limit the availability of suitable vessels because of customer preferences or because they are not or will not be compliant with existing or future rules, regulations and conventions. Additional vessels of the age and quality we desire may not be available for purchase at prices we are prepared to pay or at delivery times acceptable to us, and we may not be able to dispose of vessels at reasonable prices, if at all. If we are unable to purchase and dispose of vessels at reasonable prices in accordance with our business strategy or in response to changing market and regulatory conditions, our business would be adversely affected.

Our purchasing and operating secondhand vessels may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.

Our current business strategy includes growth through the acquisition of previously owned vessels. While we will typically inspect secondhand vessels before purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels before purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. In addition, when purchasing secondhand vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology. Potential charterers may also choose not to charter older vessels. Governmental regulations, safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these 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. As a result, regulations and standards could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to implement our growth successfully.

Our business plan is to identify and acquire suitable vessels at favorable prices and trade our vessels on short-, medium- or long-term time charters. Our business plan will therefore depend upon our ability to identify and acquire suitable vessels to grow our fleet in the future and successfully employ our vessels.

Growing any business by acquisition presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel and managing relationships with customers and suppliers. In addition, competition from other companies, many of which may have significantly greater financial resources than us, may reduce our acquisition opportunities or cause us to pay higher prices. We cannot assure you that we will be successful in executing our plans to establish and grow our business or that we will not incur significant expenses and losses in connection with these plans. Our failure to effectively identify, purchase, develop and integrate any vessels could impede our ability to establish our operations or implement our growth successfully. Our acquisition growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

- fail to realize anticipated benefits, such as cost savings or cash flow enhancements;
- incur or assume unanticipated liabilities, losses or costs associated with any vessels or businesses acquired, particularly if any vessel we acquire proves not to be in good condition;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;

decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;

significantly increase our interest expense or financial leverage if we incur debt to finance acquisitions; or

incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

We have acquired re-sale newbuilding vessels in the past and we may in the future agree to acquire additional newbuilding vessels, and any delay in the delivery of vessels under contract could have a material adverse effect on us.

We have acquired re-sale newbuilding vessels in the past. As we grow our fleet in the future, we may acquire additional newbuildings. The completion and delivery of newbuildings could be delayed because of, among other things:

quality or engineering problems;

changes in governmental regulations or maritime self-regulatory organization standards;

work stoppages or other labor disturbances at the shipyard;

bankruptcy of or other financial crisis involving the shipyard;

a backlog of orders at the shipyard;

political, social or economic disturbances;

weather interference or a catastrophic event, such as a major earthquake or fire;

requests for changes to the original vessel specifications;

shortages of or delays in the receipt of necessary construction materials, such as steel;

an inability to finance the constructions of the vessels; or

an inability to obtain requisite permits or approvals.

If the seller of any newbuilding vessel we have contracted to purchase is not able to deliver the vessel to us as agreed, or if we cancel a purchase agreement because a seller has not met his obligations, it may result in a material adverse effect on our business, prospects, financial condition, liquidity and results of operations.

Increased competition in technological innovation could reduce the demand for our vessels and our ability to successfully implement our business strategy.

The charter hire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to be loaded and unloaded quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations. If new containerships are built that are more efficient or flexible or have longer physical lives than our vessels, competition from these more technologically advanced containerships could adversely affect the amount of charter hire payments we receive for our vessels or our ability to charter our vessels at all.

Our executive officers and directors will not devote all of their time to our business, which may hinder our ability to operate successfully.

Our executive officers and directors will be involved in other business activities, such as the operation of Diana Shipping Inc., or Diana Shipping, which may result in their spending less time than is appropriate or necessary to manage our business successfully. This could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Certain existing shareholders currently own a significant portion of our outstanding common shares, which may limit your ability to influence our actions.

Diana Shipping currently owns approximately 25.7% of our outstanding common stock and our executive officers and non-executive directors collectively own approximately 12.8% of our outstanding common stock. In addition, 12 West Capital Management LP beneficially owns approximately 25.8% of our outstanding common stock. Accordingly, certain of our existing shareholders have the power to exert considerable influence over our actions, including the election of directors, the adoption or amendment of provisions in our articles of incorporation and possible mergers or other significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, consolidation, takeover or other business combination. This concentration of ownership could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our shares. So long as certain of our existing shareholders continue to own a significant amount of our equity, even though the amount held by each such shareholder represents less than 50% of our voting power, they will continue to be able to exercise considerable influence over our decisions.

Diana Shipping will not provide any guarantee of the performance of our obligations nor will you have any recourse against Diana Shipping should you seek to enforce a claim against us.

Diana Shipping currently owns approximately 25.7% of our common stock, but will not provide any guarantee of the performance of our obligations. Further, you will have no recourse against Diana Shipping should you seek to enforce a claim against us.

The fiduciary duties of our officers and directors may conflict with those of the officers and directors of Diana Shipping and/or its affiliates.

Our officers and directors have fiduciary duties to manage our business in a manner beneficial to us and our shareholders. However, our Chief Executive Officer and Chairman of the Board, President, Chief Operating Officer and Chief Financial Officer also serve as executive officers and/or directors of Diana Shipping. As a result, these individuals have fiduciary duties to manage the business of Diana Shipping and its affiliates in a manner beneficial to such entities and their shareholders. Consequently, these officers and directors may encounter situations in which their fiduciary obligations to Diana Shipping and us are in conflict. Although Diana Shipping is contractually restricted from competing with us in the containership sector, there may be other business opportunities for which Diana Shipping may compete with us such as hiring employees, acquiring other businesses, or entering into joint ventures, which could have a material adverse effect on our business. In addition, we are contractually restricted from competing with Diana Shipping in the drybulk carrier sector, which limits our ability to expand our 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 ("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 has agreed to allow the PCAOB to conduct inspections of accounting firms operating in Greece. In the future, such PCAOB inspections could result in findings in our auditors' quality control procedures, question the validity of the auditor's reports on our published consolidated financial statements and the effectiveness of our internal control over financial reporting, and cast doubt upon the accuracy of our published audited financial statements.

Restrictive covenants in our credit facilities may impose financial and other restrictions on us.

We entered into a $148.0 million secured loan facility with the Royal Bank of Scotland plc, or RBS, in September 2015 in order to refinance part of the acquisition costs of certain of our vessels and to partially finance the acquisition of two new vessels, after we repaid the $98.7 million credit facility we had with the same bank. In addition, in May 2013, we entered into an unsecured loan agreement of up to $50.0 million with Diana Shipping Inc., one of our major shareholders, to be used to fund vessels acquisitions and for general corporate purposes. This loan agreement was amended in September 2015. As of December 31, 2015, we had $193.5 million of principal debt outstanding under our loan facilities. As of December 31, 2015 and the date hereof we did not have any remaining borrowing capacity under our loan agreements.

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

pay dividends or make capital expenditures if we do not repay amounts drawn under our loan facilities, if there is a default under the loan facilities or if the payment of the dividend or capital expenditure would result in a default or breach of a loan covenant;

incur additional indebtedness, including through the issuance of guarantees;

change the flag, class or management of our vessels;

create liens on our assets;

sell our vessels;

enter into a time charter or consecutive voyage charters that have a term that exceeds, or which by virtue of any optional extensions may exceed a certain period;

merge or consolidate with, or transfer all or substantially all our assets to, another person; and

enter into a new line of business.

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

Our ability to obtain debt financing in the future may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels in the future or may significantly increase our costs of obtaining such capital. Our inability to obtain financing at all or at a higher than anticipated cost may materially affect our results of operation and our ability to implement our business strategy.

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, our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios; our President, Mr. Anastasios Margaronis; our Chief Financial Officer and Treasurer, Mr. Andreas Michalopoulos; and our Chief Operating Officer and Secretary, 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 adversely affect our business, results of operations and ability to pay dividends. We do not intend to maintain "key man" life insurance on any of our officers or other members of our management team.

If our insurance is insufficient to cover losses that may occur to our vessels or result from our operations due to the inherent operational risks of the shipping industry, it could adversely affect our financial condition.

The operation of an ocean-going vessel carries inherent risks, any of which could increase our costs or lower our revenues. These risks include the possibility of:

marine disaster;

environmental accidents;

cargo and property losses or damage;

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

loss of revenue during vessel off-hire periods.

Under our vessel management agreements with UOT, our Manager is responsible for procuring and paying for insurance for our vessels. Our insurance policies contain standard limitations, exclusions and deductibles. The policies insure against those risks that the shipping industry commonly insures against, which are hull and machinery, protection and indemnity and war risk. The Manager currently maintains hull and machinery coverage in an amount at least equal to the vessels' fair market value. The Manager maintains an amount of protection and indemnity insurance that is at least equal to the standard industry level of coverage. We cannot assure you that the Manager will be able to procure adequate insurance coverage for our fleet in the future or that our insurers will pay any particular claim.

We expect to continue to operate substantially outside the United States, which will expose us to political and governmental instability, which could harm our operations.

We expect that our operations will continue to be primarily conducted outside the United States and may be adversely affected by changing or adverse political and governmental conditions in the countries where our vessels are flagged or registered and in the regions where we otherwise engage in business. Any disruption caused by these factors may interfere with the operation of our vessels, which could harm our business, financial condition and results of operations. Past political efforts to disrupt shipping in these regions, particularly in the Arabian Gulf, have included attacks on ships and mining of waterways. In addition, terrorist attacks outside this region and continuing hostilities in the Middle East and the world may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States and elsewhere. Any such attacks or disturbances may disrupt our business, increase vessel operating costs, including insurance costs, and adversely affect our financial condition and results of operations. Our operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions or a disruption of or limit to trading activities or other adverse events or circumstances in or affecting the countries and regions where we operate or where we may operate in the future.

We generate all of our revenues in U.S. dollars and incur a portion of our expenses in other currencies, and therefore exchange rate fluctuations could have an adverse impact on our results of operations.

We generate all of our revenues in U.S. dollars and incur a portion of our expenses in currencies other than the dollar. This difference could lead to fluctuations in net income due to changes in the value of the U.S. dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, decreasing our revenues. Further declines in the value of the dollar could lead to higher expenses payable by us.

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

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

We intend to take the position that we qualified for this statutory tax exemption for U.S. federal income tax return reporting purposes for our 2015 taxable year and we intend to so qualify for future taxable years. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption for any future taxable year 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, there can be no assurances on our tax-exempt status.

If we are not entitled to exemption under Section 883 for any taxable year, we would be subject for those years to an effective 2% United States federal income tax on the shipping income we derive during the year which is attributable to the transport of cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

We may be treated as a "passive foreign investment company," which could have certain adverse U.S. Federal income tax consequences to U.S. holders.

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, cash will be treated as an asset held for the production of passive income. For purposes of these tests, "passive income" generally includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than those 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. holders of stock in 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 stock in the PFIC.

Whether we will be treated as a PFIC will depend upon our method of operation. In this regard, we intend to treat the gross income we derive or are deemed to derive from time or voyage chartering activities as services income, rather than rental income. Accordingly, we believe that any income from time or voyage chartering activities will not constitute "passive income," and any assets that we may own and operate in connection with the production of that income will not constitute passive assets. However, any gross income that we may be deemed to have derived from bareboat chartering activities will be treated as rental income and thus will constitute "passive income," and any assets that we may own and operate in connection with the production of that income will constitute passive assets. There is substantial legal authority supporting this position consisting of case law and 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 our position with regard to our status from time to time as a PFIC, and there is a risk that the IRS or a court of law could determine that we are or have been a PFIC for a particular taxable year.

If we are or have been a PFIC for any taxable year, U.S. holders of our common stock will face certain adverse U.S. federal income tax consequences and information reporting obligations. Under the PFIC rules, unless such U.S. holders make certain elections available under the Code (which elections could themselves have certain adverse consequences for such U.S. holders), such U.S. holders would be liable to pay U.S. federal income tax at the then prevailing 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 such U.S. holder's holding period for such common stock. See Item 10.E "Taxation—United States Federal Income Tax Considerations—United States Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. holders of our common stock if we are or were to be treated as a PFIC.

We may be subject to increased premium payments, or calls, because we obtain some of our insurance through protection and indemnity associations.

We may be subject to increased premium payments, or calls, in amounts based on our claim records as well as the claim records of other members of the protection and indemnity associations in the International Group, which is comprised of 13 mutual protection and indemnity associations and insures approximately 90% of the world's commercial tonnage and through which we receive insurance coverage for tort liability, including pollution-related liability, as well as actual claims. Amounts we may be required to pay as a result of such calls will be unavailable for other purposes.

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.

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, our fleet manager, UOT, 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.

Risks Relating to our Common Shares

We may be unable to maintain our listing on The Nasdaq Global Select Market, which would adversely affect the value of our common shares and make it more difficult for you to monetize your investment.

Nasdaq Global Select Market and each national securities exchange have certain corporate governance requirements that must be met in order for us to maintain our listing. If we fail to maintain the relevant corporate governance requirements, our common shares could be delisted, which would make it harder for you to monetize your investment in our common shares and would cause the value of your investment to decline.

On January 14, 2016, we received written notification from The NASDAQ Stock Market LLC indicating that because the closing bid price of our common stock for the 30 consecutive business days following the notice was below US$1.00 per share, we no longer meet the minimum bid price requirement for The Nasdaq Global Select Market set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to The Nasdaq Listing Rules, the applicable grace period to regain compliance is 180 calendar days, or until July 12, 2016.

The notification letter has no effect at this time on the listing of our common stock, which continues to trade on The Nasdaq Global Select Market. In February of 2016 our shareholders approved a reverse stock split, to be implemented at the discretion of the Board. We intend to monitor the closing bid price of our common stock until July 12, 2016, and if necessary intend to complete a reverse stock split in order to regain compliance with the minimum bid price requirement. If we do effect a reverse stock split, the liquidity of our common shares may be adversely affected given the reduced number of shares that will be outstanding following the reverse stock split. In the event we do not regain compliance within the 180-day grace period and we meet all other listing standards and requirements, we may be eligible for an additional 180-day grace period if we transfer to The Nasdaq Capital Market.

If the share price of our common shares fluctuates, you could lose a significant part of your investment.

The market price of our common shares may be influenced by many factors, many of which are beyond our control, including the other risks described herein and the following:

the failure of securities analysts to publish research about us, or analysts making changes in their financial estimates;

announcements by us or our competitors of significant contracts, acquisitions or capital commitments;

variations in quarterly operating results;

general economic conditions;

terrorist or piracy acts;

future sales of our common shares or other securities; and

investors' perception of us and the international containership sector.

These broad market and industry factors may materially reduce the market price of our common shares, regardless of our operating performance.

Future offerings of debt securities and amounts outstanding under current and future credit facilities or other borrowings, which would rank senior to our common stock upon our liquidation, and future offerings of equity securities, which would dilute our existing stockholders, may adversely affect the market value of our common stock.

On September 10, 2015, we entered into an agreement for a loan facility of $148.0 million with RBS, and on May 20, 2013 we entered into an unsecured loan agreement of $50 million with Diana Shipping, which was amended on September 9, 2015. In the future, we may attempt to increase our capital resources with further borrowing under credit facilities, making offerings of debt or additional offerings of equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred stock. Upon liquidation, holders of our debt securities and preferred stock and lenders with respect to our credit facilities and other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market value of our common stock, or both. Any preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that would limit amounts available for distribution to holders of our common stock. Because our decision to borrow additional amounts under credit facilities or issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future indebtedness or offering of securities. Therefore, holders of our common stock bear the risk of our future offerings reducing the market value of our common stock and diluting their shareholdings in us or that in the event of bankruptcy, liquidation, dissolution or winding-up of the Company, all or substantially all of our assets will be distributed to holders of our debt securities or preferred stocks or lenders with respect to our credit facilities and other borrowings.

We are a holding company, and we will depend on the ability of our current and future subsidiaries to distribute funds to us in order to satisfy our financial obligations or to make dividend payments.

We are a holding company, and our current and future subsidiaries, which will all be wholly-owned by us, either directly or indirectly, will conduct all of our operations and own all of our operating assets. We will have no significant assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to satisfy our financial obligations and to pay dividends, if any, to our shareholders will depend on the ability of our subsidiaries to distribute funds to us. In turn, the ability of our subsidiaries to make dividend payments to us will depend on them having profits available for distribution and, to the extent that we are unable to obtain dividends from our subsidiaries, this will limit the discretion of our board of directors to pay or recommend the payment of dividends. Also, our subsidiaries are limited by 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.

Because we are a foreign corporation, you may not have the same rights or protections that a shareholder in a United States corporation may have.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law and may make it more difficult for our shareholders to protect their interests. Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. The rights and fiduciary responsibilities of directors under the law 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 certain U.S. jurisdictions and there have been few judicial cases in the Marshall Islands interpreting the BCA. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their 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. Therefore, you may have more difficulty in protecting your interests as a shareholder in the face of actions by the management, directors or controlling stockholders than would shareholders of a corporation incorporated in a U.S. jurisdiction.

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

As of December 31, 2015, we had 73,890,581 shares of common stock outstanding. The market price of our common stock could decline from its current levels due to sales of a large number of shares in the market, including sales of shares by our large shareholders, our issuance of additional shares, or securities convertible into our common stock or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of shares of our common stock. The issuance of such additional shares of common stock would also result in the dilution of the ownership interests of our existing shareholders. We have entered into a registration rights agreement with Diana Shipping that will entitle it to have all the shares of our common stock that it owns registered for re-sale in the public market under the Securities Act.

As a key component of our business strategy, we intend to issue additional shares of common stock or other securities to finance our growth as market conditional warrant. These issuances, which would generally not be subject to shareholder approval, may lower your ownership interests and may depress the market price of our common stock.

As a key component of our business strategy, we plan to finance potential future expansions of our fleet in large part with equity financing. Pursuant to our amended and restated articles of incorporation, we are authorized to issue up to 500 million common shares and 25 million preferred shares, each with a par value of $0.01 per share. Therefore, subject to the rules of The Nasdaq Global Select Market that are applicable to us, we may issue additional shares of common stock, and other equity securities of equal or senior rank, without shareholder approval, in a number of circumstances from time to time.

The issuance by us of additional shares of common stock or other equity securities of equal or senior rank will have the following effects:

our existing shareholders' proportionate ownership interest in us may decrease;

the relative voting strength of each previously outstanding share may be diminished;

the market price of our common stock may decline; and

the amount of cash available for dividends payable on our common stock, if any, may decrease.

It may not be possible for our investors to enforce U.S. judgments against us.

We are incorporated in the Republic of the Marshall Islands. Substantially all of our assets are located outside the United States. As a result, it may be difficult or impossible for U.S. shareholders to serve process within the United States upon us or to enforce judgment upon us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we are incorporated or where our assets are located (1) would enforce judgments of U.S. courts obtained in actions against us based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would enforce, in original actions, liabilities against us based upon these laws.

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 value of our securities.

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 two-thirds of the outstanding common shares entitled to vote generally in the election of directors;
- 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 entered into a Stockholders Rights Agreement 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 shareholders to benefit from a change in control and, as a result, may adversely affect the value of our securities, if any, and the ability of shareholders to realize any potential change of control premium.

Item 4. Information on the Company

A. History and Development of the Company

Diana Containerships Inc. is a corporation incorporated under the laws of the Republic of the Marshall Islands on January 7, 2010. Each of the Company's vessels is owned by a separate wholly-owned subsidiary. Diana Containerships Inc. is the owner of all the issued and outstanding shares of the subsidiaries listed in Exhibit 8.1 to this annual report. We maintain our principal executive offices at Pendelis 18, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at that address is +30 216 600 2400. Our agent and authorized representative in the United States is our wholly-owned subsidiary, Container Carriers (USA) LLC, established in July 2014, 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 December 2011, we entered into an agreement for a revolving credit facility of up to $100 million with the Royal Bank of Scotland plc. The credit facility had a term of five years and bore, up to June 1, 2013, interest at the rate of 2.75% per annum over LIBOR. We also paid a commitment fee of 0.99% per annum on the undrawn amount of the facility until October 31, 2013. In 2012 and 2013, we drew down an aggregate amount of $98.7 million. During 2013 and 2014, we entered into various supplemental agreements with the lenders under the facility, which provided for an increased margin of 3.10% per annum over LIBOR, effective June 1, 2013, and certain other amendments of the terms of the initial facility agreement. The loan was repaid in full in September 2015, when we entered into a new loan agreement with Royal Bank of Scotland plc. for up to $148.0 million, discussed below.

In February 2013, we entered into a Memorandum of Agreement with Hanjin Shipping Co., Ltd., Seoul, for the purchase of a 1993-built Panamax container vessel of approximately 4,024 TEU capacity, the *m/v Hanjin Malta*, for a purchase price of $22 million. The vessel was delivered to us from the sellers in March 2013.

Effective March 1, 2013, Unitized Ocean Transport Limited, which we refer to as the "Manager" or "UOT", our wholly-owned subsidiary, provides us and the vessels we own with management and administrative services. Pursuant to our management agreements with UOT, UOT receives a fixed commission of 2% on the gross charter hire and freight earned by each vessel plus a fixed management fee of $15,000 per vessel per month for employed vessels and $7,500 per vessel per month for laid-up vessels, if any. In addition, pursuant to the administrative services agreement, UOT receives a fixed monthly fee of $10,000. Since March 1, 2013 the management and administrative fees payable to UOT are eliminated in consolidation as intercompany transactions. Until February 28, 2013, similar fees were payable to Diana Shipping Services S.A, or DSS, a wholly-owned subsidiary of Diana Shipping. On March 1, 2013, and in relation with the appointment of UOT to act as our new Manager, the Administrative Services Agreement, the Broker Services Agreement that DSS had entered into with Diana Enterprises Inc. on our behalf, and the Vessel Management Agreements with DSS were terminated.

Following the termination agreement for brokerage services that were provided to us through DSS on March 1, 2013, Diana Enterprises entered on the same date into an agreement with UOT to provide brokerage services for a fixed monthly fee of $120,833. The agreement had a term of thirteen months and the fees were payable quarterly in advance, effective April 1, 2013. In March 2014, the Broker Services Agreement between UOT and Diana Enterprises Inc. was terminated and replaced with a new agreement with retroactive effect from January 1, 2014 and ending on March 31, 2015. Effective July 1, 2014, the agreement between UOT and Diana Enterprises Inc. was terminated and replaced with a new agreement between Diana Containerships Inc. and Diana Enterprises Inc., on substantially similar fees and payment terms. Finally, upon expiration of the agreement, it was further renewed until March 31, 2016, for a fixed monthly fee of $121,000.

In April, May and December 2013, we sold the *m/v Maersk Madrid*, *m/v Maersk Merlion*, *m/v Maersk Malacca* and *m/v Apl Spinel* to unrelated parties for demolition, for the aggregate sale price of $37.5 million, net of address commissions. In May, June and December 2013, the vessels were delivered to their new owners.

In May 2013, we entered into an unsecured loan agreement of up to $50.0 million with Diana Shipping, to be used to fund vessel acquisitions and for general corporate purposes. The loan had an initial term of four years and bore, until its amendment discussed below, interest at the rate of 5.0% per annum over LIBOR and a fee of 1.25% per annum ("back-end fee") on any amounts repaid upon any repayment or voluntary prepayment dates. In August 2013, the full amount of $50.0 million was drawn down.

In May 2013, we filed a prospectus supplement pursuant to Rule 424(b) relating to the offer and sale of an aggregate of up to $40.0 million in gross proceeds of our common stock under an at-the-market offering, with Deutsche Bank Securities Inc., as sales agent. In 2013, a total of 2,859,603 shares of our common stock were sold under the at-the-market offering and the net proceeds, after deducting underwriting commissions and offering expenses payable by us, amounted to $12.4 million. In 2014, a total of 1,092,596 shares of our common stock were sold under the at-the-market offering and the net proceeds received, after deducting underwriting commissions and offering expenses payable by us, amounted to $4.7 million. In July 2014, we announced the suspension of the offer and sale of our common shares under the existing at-the-market offering until there is a significant improvement in the containership market.

In August 2013, we entered into two Memoranda of Agreement for the purchase of two 2006-built Post-Panamax container vessels of approximately 6,541 TEU capacity each, the *m/v Puelo*, and the *m/v Pucon*, for a purchase price of $47.0 million each. The vessels were delivered to us from the sellers in August and September 2013, respectively.

In February 2014, we sold the *m/v Apl Sardonyx*, to unrelated parties for demolition, for the sale price of $9.7 million, net of address commission. The vessel was delivered to her new owners in the same month.

In July 2014, we entered into an agreement to sell 36,653,386 shares of our common stock in a private placement (the "Private Placement") to a group of investors including Diana Shipping, unaffiliated institutional investors, and our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios, and a member of his family, along with other members of the Company's senior management, at a purchase price of $2.51 per share. In the transaction, Diana Shipping purchased common shares of value $40.0 million, two institutional investors not affiliated with us whose manager is based in the United States together purchased common shares of value $40.0 million, and Mr. Palios and a member of his family, along with other members of the Company's senior management, purchased common shares of an aggregate value $12.0 million. The transaction closed on July 29, 2014. In connection with the Private Placement, we entered with our respective counterparties, into amendments to the brokerage services agreement with Diana Enterprises Inc., the loan agreement with Diana Shipping Inc., the facility agreement with the Royal Bank of Scotland plc and the Stockholders Rights Agreement. The net proceeds received from the transaction, after deducting offering expenses payable by us, amounted to $91.3 million. The purchasers received customary registration rights with respect to the shares purchased in the Private Placement. The transaction was approved by an independent committee of our Board of Directors, which obtained a fairness opinion from Houlihan Lokey Financial Advisors, Inc. regarding the financial fairness to us of the aggregate purchase price to be received by us in the transaction. For more information on the Private Placement, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

In August 2014, we signed, through two separate wholly-owned subsidiaries, two Memoranda of Agreement to purchase from an unrelated party two 2004-built Post-Panamax container vessels of approximately 5,576 TEU capacity each, the *m/v YM March* and the *m/v YM Great*, for a purchase price of $22.175 million each. The vessels were delivered to us in September and October 2014, respectively.

In November 2014, we signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to purchase from an unrelated party a 2005-built Panamax container vessel of approximately 5,042 TEU capacity, the *m/v Santa Pamina*, for a purchase price of $15.95 million. The vessel was delivered to us in November 2014.

In December 2014, we acquired, jointly with two other related parties, from unrelated individuals, a plot of land, in Athens, Greece, for an aggregate price of Euro 2.0 million or $2.5 million, based on the exchange rate of U.S. Dollar to Euro on the date of acquisition. The plot of land is under the common ownership of the joint purchasers. We paid one third of the purchase price, and the total cost for the acquisition of the plot, including additional capitalized costs, amounted to $0.9 million.

In March 2015, we entered, through two separate wholly-owned subsidiaries, into two Memoranda of Agreement with unrelated parties, to acquire the 2006-built Panamax container vessels of approximately 4,923 TEU capacity, the *m/v YM New Jersey* and *the m/v YM Los Angeles*, for the purchase price of $21.5 million each. The vessels were delivered to us in April 2015.

In July 2015, we entered, through two separate wholly-owned subsidiaries, into two Memoranda of Agreement with unrelated parties, to acquire two Post-Panamax container vessels of approximately 6,494 TEU capacity, the 2009-built *m/v Hamburg* and the 2008-built *m/v Rotterdam*, for the purchase price of $38.5 million and $37.5 million, respectively. Both vessels were delivered to us from September to November 2015.

In September 2015, we sold the *m/v Garnet (ex Apl Garnet)*, to unrelated parties for demolition, for the sale price of $7.6 million, net of address commission. The vessel was delivered to her new owners in the same month.

In September 2015, we, through nine separate wholly-owned subsidiaries, entered into a loan agreement with RBS of up to $148.0 million, to re-finance the acquisition cost of seven of our vessels, including the full prepayment of the existing facility agreement, and to support the acquisition of the two newly acquired vessels, the *m/v Hamburg* and the *m/v Rotterdam* (discussed above). The new loan facility has a term of six years, is repayable in quarterly installments and a balloon payment payable together with the last installment, and bears interest at the rate of 2.75% per annum over LIBOR. Until December 31, 2015, we drew down in full the $148.0 million. In connection with this loan, we paid arrangement and structuring fees amounting to $1.9 million and a commitment fee of 1.375% per annum on the undrawn amount of the loan until the drawdown dates.

In September 2015, and in relation with the RBS refinance discussed above, the loan agreement with Diana Shipping was amended. The loan agreement is extended until March 2022, provides for annual repayments of $5.0 million, plus a balloon installment at the final maturity date, and bears interest at LIBOR plus margin of 3.0% per annum. We also agreed to pay at the date of the amendment the accumulated back-end fee, amounting to $1.3 million, and that no additional back-end fee would be charged thereafter. Furthermore, we agreed that we will pay at the final maturity date a flat fee of $0.2 million.

In February 2016, we entered, through a wholly-owned subsidiary, into a memorandum of agreement to sell the *m/v Hanjin Malta* to an unrelated party for demolition, for a sale price of $5.0 million before commissions. The vessel was delivered to her new owners on March 9, 2016.

B. Business Overview

We are a corporation formed under the laws of the Republic of the Marshall Islands on January 7, 2010. We were founded to own containerships and pursue containership acquisition opportunities.

As of the date of this annual report, our fleet consists of seven panamax and six post-panamax containerships with a combined carrying capacity of 66,440 TEU and a weighted average age of 9.7 years. As at December 31, 2015, our fleet consisted of eight panamax and six post-panamax containerships with a combined carrying capacity of 70,464 TEU and a weighted average age of 10.3 years. As at December 31, 2014, our fleet consisted of seven panamax and four post-panamax containerships with a combined carrying capacity of 52,359 TEU and a weighted average age of 11.2 years. As at December 31, 2013, our fleet consisted of seven panamax and two post-panamax containerships with a combined carrying capacity of 40,894 TEU and a weighted average age of 11.5 years.

During 2015, 2014 and 2013, we had fleet utilization of 92.0%, 99.7%, and 97.9%, respectively, our vessels achieved a daily time charter equivalent rate of $13,192, $16,803, and $15,162, respectively, and we generated revenues, net of prepaid charter revenue amortization, of $62.2 million, $54.1 million and $54.0 million, respectively.

Set forth below is summary information concerning our fleet as at March 18, 2016.

Vessel BUILT TEU	Sister Ships*	Gross Rate (USD Per Day)	Com**	Charterers	Delivery Date to Charterers***	Redelivery Date to Owners****	Notes
8 Panamax Container Vessels							
SAGITTA	A	$6,600	5.00%	Maersk Line A/S	30/Nov/15	11/Jan/16	1
2010 3,426		$5,850	3.50%	CMA CGM	27/Jan/16	27-May-16 - 27-Jan-17	
CENTAURUS	A	$10,875	5.00%	Maersk Line A/S	2/Oct/15	2-Sep-16 - 2-Apr-17	2
2010 3,426							
YM LOS ANGELES	B	$21,000	US$350	Yang Ming (UK) Ltd.	9/Apr/15	19-Oct-16 - 19-Feb-17	3,4
2006 4,923			per day				
YM NEW JERSEY	B	$21,000	US$350	Yang Ming (UK) Ltd.	22/Apr/15	24-Sep-16 - 24-Jan-17	3,5
2006 4,923			per day				
PAMINA		$15,325	4.00%	Zim Integrated Shipping	21/May/15	21/Mar/16	6
(ex Santa Pamina)				Services Ltd			
2005 5,042							
DOMINGO	C	$6,750	3.75%	Rudolf A. Oetker KG	24/Dec/15	12/Feb/16	7,8,9
(ex Cap Domingo)							
2001 3,739							
CAP DOUKATO	C	$9,900	3.75%		23/Dec/14	23/Jan/16	7,10
(ex Cap San Raphael)				Rudolf A. Oetker KG			
2002 3,739		$6,250	3.75%		23/Jan/16	23-Apr-16 - 23-Jan-17	
HANJIN MALTA		$25,550	US$150	Hanjin Shipping Co. Ltd.	15/Mar/13	19/Feb/16	3,11,12
1993 4,024			per day				
6 Post - Panamax Container Vessels							
PUELO	D	$27,900	US$150	CSAV Valparaiso	23/Aug/13	2/Aug/15	13,14,15
2006 6,541			per day				
PUCON	D	$17,000	3.75%	Hapag-Lloyd AG	20/Aug/15	10-May-16 - 20-Jul-16	16,17,18
2006 6,541							
MARCH	E	$6,200	5.00%		21/Dec/15	6/Jan/16	19
(ex YM March)				Maersk Line A/S			
2004 5,576		$6,200	5.00%		6/Jan/16	26/Mar/16	6,20
GREAT	E	$14,750	5.00%		15/Aug/15	15/Feb/16	21
(ex YM Great)				Maersk Line A/S			
2004 5,576		$6,000	5.00%		15/Feb/16	15-Apr-16 - 15-Feb-17	
HAMBURG	F	$14,000	0%	MSC-Mediterranean	16/Nov/15	27/Jan/16	13
2009 6,494				Shipping Co. S.A., Geneva			
ROTTERDAM	F	$6,000	5.00%	Maersk Line A/S	2/Feb/16	2-Apr-16 - 2-Feb-17	
2008 6,494							

* Each container vessel is a "sister ship", or closely similar, to other container vessels that have the same letter.

** Total commission 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 In November 2015, the Company agreed to extend as from November 30, 2015 the previous charter party with Maersk Line A/S for a period of up to minimum January 8, 2016 to maximum March 1, 2016 at a gross charter rate of US$6,600 per day.

2 In September 2015, the Company agreed to extend as from October 2, 2015 the previous charter party with Maersk Line A/S for a period of minimum 11 months to maximum 18 months at a gross charter rate of US$10,875 per day.

3 For financial reporting purposes, an asset is recognized upon the delivery of the vessel which represents the difference between the current fair market value of the charter and the net present value of future contractual cash flows. This asset is amortized over the period of the time charter agreement and is set off against the corresponding revenues during the same period.

4 The charterer has the option to employ the vessel for a further twenty-two (22) to twenty-six (26) month period at the same daily gross charter rate less US$350 per day commission paid to third parties. The optional period if exercised will start on December 19, 2016 and must be declared six (6) months prior to this date.

5 The charterer has the option to employ the vessel for a further twenty-two (22) to twenty-six (26) month period at the same daily gross charter rate less US$350 per day commission paid to third parties. The optional period if exercised will start on November 24, 2016 and must be declared six (6) months prior to this date.

6 Based on latest information.

7 Reederei Santa Containerschiffe GmbH & Co. KG has agreed to novate the time charter contract to Rudolf A. Oetker KG.

8 In November 2015, the Company agreed to extend as from December 24, 2015 the previous charter party with Rudolf A. Oetker KG for a period of up to minimum February 10, 2016 to maximum March 25, 2016 at a gross charter rate of US$6,750 per day.

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

10 In January 2016, the Company agreed to extend as from January 23, 2016 the previous charter party with Rudolf A. Oetker KG for a period of minimum 3 months to maximum 12 months at a gross charter rate of US$6,250 per day.

11 Charterers have agreed to compensate the owners for the early redelivery of the vessel till the minimum agreed redelivery date, March 31, 2016.

12 Vessel sold and delivered to her new owners on March 9, 2016.

13 Currently without an active charterparty.

14 The charterers paid the owners a compensation for the early redelivery of the vessel equal to the amount of US$6,000 per day for the period between August 2, 2015 and up to February 23, 2016.

15 Charterers changed to Norasia Container Lines Limited, as per Novation Agreement signed in September 2014 with a retroactive effect from July 1, 2014. As per same Novation Agreement, with effect from February 1, 2015, charterers have changed to Hapag-Lloyd AG.

16 The charterers paid the owners a compensation for the early redelivery of the vessel equal to the amount of US$6,000 per day for the period between August 20, 2015 and up to March 20, 2016.

17 Charterers changed to Norasia Container Lines Limited, as per Novation Agreement signed in September 2014 with a retroactive effect from July 1, 2014. As per same Novation Agreement, with effect from April 28, 2015, charterers have changed to Hapag-Lloyd AG.

18 In July 2015, the Company agreed to extend as from August 20, 2015 (00:01) the previous charter party with Hapag-Lloyd AG for a period of up to minimum May 10, 2016 to maximum July 20, 2016 at a gross charter rate of US$17,000 per day.

19 Charterers will pay US$1 per day for the first 5 days of the charter period.

20 In December 2015, the Company agreed to extend as from January 6, 2016 the previous charter party with Maersk Line A/S for a period of minimum 2 months to maximum 10 months at a gross charter rate of US$6,200 per day.

21 In January 2016, the Company agreed to extend as from February 15, 2016 the previous charter party with Maersk Line A/S for a period of minimum 2 months to maximum 12 months at a gross charter rate of US$6,000 per day.

Our Management Team

Our management team is responsible for the strategic management of our company, including the development of our business plan. Strategic management also involves, among other things, locating, purchasing, financing and selling vessels. Our management team is led by our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios, who founded the predecessors of Diana Shipping and DSS in 1972. Mr. Palios has served as the Chief Executive Officer and Chairman of the Board of Diana Shipping Inc. since 2005 and as a director since 1999. Mr. Anastasios Margaronis, our President and a director, also serves as President and as a director of Diana Shipping Inc. and has been employed by the Diana Shipping group of companies since 1979. Mr. Ioannis Zafirakis, our Chief Operating Officer, Secretary and a director, also serves as Chief Operating Officer and Secretary and a director of Diana Shipping Inc. and has been employed by the Diana Shipping group of companies since 1997. Mr. Andreas Michalopoulos, our Chief Financial Officer and Treasurer, has held these same offices with Diana Shipping Inc. since 2006.

Our management team has experience in multiple sectors of the international shipping industry, including the containership sector, and a proven track record of strategic growth beginning with the formation of the Diana Shipping group of companies in 1972. Our management team is responsible for identifying assets for acquisition and for the operation of our business in order to build our fleet and effectively manage our growth.

Potential Conflicts of Interest

Our management team is comprised of four executive officers who are also executive officers of Diana Shipping. Three of our executive officers serve on our board of directors as well as the board of directors of Diana Shipping. Our officers and directors have fiduciary duties to manage our business in a manner beneficial to us and our shareholders. As a result, these individuals have fiduciary duties to manage the business of Diana Shipping and its affiliates in a manner beneficial to such entities and their shareholders. Consequently, these officers and directors may encounter situations in which their fiduciary obligations to Diana Shipping and us are in conflict. Although Diana Shipping is contractually restricted from competing with us in the containership industry, there may be other business opportunities for which Diana Shipping may compete with us such as hiring employees, acquiring other businesses, or entering into joint ventures, which could have a material adverse effect on our business. In addition, we are contractually restricted from competing with Diana Shipping in the dry bulk carrier sector, which limits our ability to expand our operations.

Management of Our Fleet

The business of Diana Containerships Inc. is the ownership of containerships. Diana Containerships Inc. wholly owns, directly or indirectly, the subsidiaries which own the vessels that comprise our fleet. The holding company sets general overall direction for the company and interfaces with various financial markets. The commercial and technical management of our fleet, as well as providing administrative services relating to the fleet's operations, are carried out since March 1, 2013, by UOT, our fleet manager. In exchange for providing us with commercial and technical services, we pay our Manager a commission that is equal to 2% of our gross revenues, a fixed management fee of $15,000 per month for each vessel in operation and a fixed monthly fee of $7,500 for laid-up vessels, if any. In addition, pursuant to an Administrative Services Agreement, we pay to UOT a fixed monthly administrative fee of $10,000, in exchange for providing us with accounting, administrative, financial reporting and other services necessary for the operation of our business. These amounts are considered inter-company transactions and are, therefore, eliminated from our consolidated financial statements.

Until March 1, 2013, DSS provided us with commercial, technical, accounting, administrative, financial reporting and other services, pursuant to an Administrative Services Agreement and Vessel Management Agreements. In addition, pursuant to a Broker Services Agreement, DSS had appointed Diana Enterprises Inc., a related party controlled by our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios, as broker to assist it in providing services to us. Please see "Item 7. Major Shareholders and Related Party Transactions —B. Related Party Transactions" for a detailed description of these agreements. On March 1, 2013, and in relation with the appointment of UOT to act as our new Manager, the Administrative Services Agreement, the Broker Services Agreement that DSS had entered into with Diana Enterprises Inc. on our behalf, and the Vessel Management Agreements with DSS, were terminated.

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 one of Diana Shipping Inc.'s vessels. This conviction and fine payable by DSS did not result in the payment of any additional fees or expenses to us prior to the time that UOT replaced DSS as our Manager, and we do not believe that the conviction in any way affected the level of services provided to us by DSS.

Business Strategy

Acquire high quality containerships throughout the shipping cycle

We will seek to provide attractive returns to our investors by continuing to make accretive acquisitions of high quality containerships in the secondhand market, including from shipyards and lending institutions. We believe that the containership sector currently provides attractive acquisition opportunities as asset values remain at low levels and will continue to present attractive opportunities through the cycle. Over time, we expect that asset prices and charter rates will increase and we will continue to seek to make acquisitions that meet our investment criteria. Because members of our senior management team have successfully navigated previous market cycles, we believe that we have the experience and discipline to capitalize on market movements. We will continue to initially focus on vessels ranging from 3,500 TEU to 8,500 TEU because we believe that the current orderbook composition, coupled with global GDP growth, creates a favorable multi-year dynamic of supply and demand for these mid-sized containerships. As industry dynamics change, we might opportunistically acquire containerships outside of this range as well as enter into newbuilding contracts with shipyards on terms that meet our acquisition criteria.

Strategically deploy our vessels in order to optimize the opportunities in the time charter market

We intend to actively monitor market conditions, charter rates and vessel operating expenses in order to selectively employ vessels as market conditions warrant. In the near term we intend to enter into short-term time charters to allow our shareholders to benefit from what we believe to be an improving charter rate environment. Depending on market conditions, in the future we might enter into long-term time charters at rates that compare favorably to historical averages, shielding us from charter rate decreases and cyclical fluctuations. We believe that maintaining staggered charter maturities will provide us with the flexibility to capitalize on favorable market conditions, while providing us with a base of strong, visible cash flows.

Maintain a strong balance sheet

We have a strong balance sheet and we intend to maintain relatively low debt levels. We believe that maintaining a strong balance sheet will continue to provide us with the flexibility to capitalize on vessel purchase opportunities. Notwithstanding the foregoing, based on prevailing conditions and our outlook for the containership market, we might consider incurring further indebtedness in the future to enhance returns to our shareholders.

Our Customers

Our customers include national, regional, and international companies, such as Maersk Line A/S, CMA CGM, Zim Integrated Shipping Services Ltd, Rudolf A. Oetker KG, Hapag Lloyd AG, MSC Mediterranean Shipping Co S.A, Geneva, and Yang Ming (UK, G) Ltd. During 2015, five of our charterers accounted for 83% of our revenues: Yang Ming (UK) Ltd (25%), Maersk Line A/S (11%), Reederei Santa Containerschiffe / Rudolf A. Oetker KG (10%), CSAV Valparaiso / Hapag Lloyd A.G Hamburg (24%) and Hanjin Shipping Co. Ltd (13%). During 2014, four of our charterers accounted for 87% of our revenues: Reederei Santa Containerschiffe MbH & Co. (25%), CSAV Valparaiso (31%), NOL Liner (Pte) Ltd (17%) and Hanjin Shipping Co. Ltd (14%). During 2013, four of our charterers accounted for 87% of our revenues: A.P. Møller-Maersk A/S (16%), Reederei Santa Containerschiffe, GMbH & Co. (23%), NOL Liner (Pte) Ltd (38%) and Hanjin Shipping Co. Ltd (10%). We believe that developing strong relationships with the end users of our services allows us to better satisfy their needs with appropriate and capable vessels. A prospective charterer's financial condition, creditworthiness, reliability and track record are important factors in negotiating our vessels' employment.

The Container Shipping Industry

The containers used in maritime transportation are steel boxes of standard dimensions. The standard unit of measure of volume or capacity in container shipping is the 20-foot equivalent unit, or TEU, representing a container which is 20 feet long and typically 8.5 feet high and 8 feet wide. In recent years, 40-foot long containers (9.5 feet high), equivalent to two TEU, have increasingly been used by large retailers to move lightweight, fast moving consumer goods across the globe. There are specialized containers of both sizes to carry refrigerated perishables or frozen products, as well as tank containers that carry liquids such as liquefied gases, spirits or chemicals.

A container shipment begins at the shipper's premises with the delivery of an empty container. Once the container has been filled with cargo, it is transported by truck, rail or barge to a container port, where it is loaded onto a containership. The container is shipped either directly to the destination port or through an intermediate port where it is transferred to another vessel, an activity referred to as transshipment. When the container arrives at its destination port, it is off-loaded and delivered to the receiver's premises by truck, rail or barge.

Container shipping has a number of advantages compared with other shipping methods, including:

Less Cargo Handling

Containers provide a secure environment for cargo. The contents of a container, once loaded into the container, are not directly handled until they reach their final destination. Using other shipping methods, cargo may be loaded and discharged several times, resulting in a greater risk of breakage and loss.

Efficient Port Turnaround

With specialized cranes and other terminal equipment, containerships can be loaded and unloaded in significantly less time and at lower cost than other cargo vessels.

Highly Developed Intermodal Network

Onshore movement of containerized cargo, from points of origin, around container ports, staging or storage areas, and to final destinations, benefits from the physical integration of the container with other transportation equipment such as road chassis, railcars and other means of hauling the standard-sized containers. Sophisticated port and intermodal industries have developed to support container transportation.

Reduced Shipping Time

Containerships can travel at a speed of up to 25 knots per hour, even in rough seas, thereby transporting cargo over long distances in shorter periods of time. Such speed reduces transit time and facilitates the timeliness of regular scheduled port calls, compared to general cargo shipping. However, since 2008, due to higher fuel prices and the negative effects of the global recession, most operators have reduced speeds and deployed more ships on some voyage strings. This has also had a positive environmental effect in helping reduce ship emissions.

Types of Container Ships

Containerships are typically "cellular," which means they are equipped with metal guide rails to allow for rapid loading and unloading, and provide for more secure carriage. Partly cellular containerships include roll-on/roll-off vessels, or "ro-ro" ships, designed to carry chassis and trailers, and multipurpose ships which can carry a variety of cargo including containers.

The main categories of containerships are broadly as follows:

Very Large:

"Very large" ships (with capacity in excess of 10,000 TEU) are currently exclusively deployed on the Asia-North Europe and Mediterranean and Transpacific trades. Middle East trades may at some stage see the regular deployment of ships with capacity exceeding 10,000 TEU.

Large:

Large ships have a capacity of 8,000 to 9,999 TEU and are currently deployed on the Transpacific, Asia-Middle East and Asia to Latin America trades.

Post Panamax:

Ships with a capacity of 5,000 to 7,999 TEU, so-called because of their inability to transit through the existing Panama Canal due to dimension restrictions. However, there are plans to widen the existing Panama Canal, with completion expected in May 2016, which would allow ships with capacity of up to 13,500 TEU to transit the waterway. Ships of this size can be considered the workhorses of many smaller or emerging trade routes outside of the main east-west arteries.

Panamax:

Ships with a capacity between 3,000 to 4,999 TEU, which is the maximum size that the Panama Canal can currently handle. There is a fear that many of these ships may become redundant once the widened Panama Canal is fully open and carriers continue to deploy the largest vessels they can across their service portfolios in order to minimize slot costs.

Intermediate:

In this category, the ships range in capacity between 2,000 and 2,999 TEU and are generally able to operate on all trades.

Handysize:

Smaller ships with capacities ranging from 1,000 to 1,999 TEU, for use in regional trades – a primary example being the intra-Asian trades.

Feeder:

Ships with a capacity of less than 1,000 TEU, which are usually employed as feeder vessels on trades to and from hub ports or on small niche trades or domestic routes.

Containership Newbuilding Prices

The factors which influence new-built prices include ship type, shipyard capacity, demand for ships, "berth cover", i.e., the forward book of business of shipyards, buyer relationships with the yard, individual design specifications, including fuel efficiency or environmental features and the price of ship materials, engine and machinery equipment and particularly the price of steel.

Containership Secondhand Prices

Vessel values are primarily driven by supply and demand for vessels. During extended periods of high demand, as evidenced by high charter rates, secondhand vessel values tend to appreciate and during periods of low demand, evidenced by low charter rates, vessel values tend to decline. Vessel values are also influenced by age and specification and by the replacement cost (new-built price) in the case of vessels up to five years old.

Values for younger vessels tend to fluctuate on a percentage, if not on a nominal, basis less than values for older vessels. This is due to the fact that younger vessels with a longer remaining economic life are less susceptible to the level of charter rates than older vessels with limited remaining economic life.

Vessels are usually sold through specialized brokers who report transactions to the maritime transportation industry on a regular basis. The sale and purchase market for vessels is usually quite transparent and liquid, with a number of vessels changing hands on an annual basis.

Containership Charter Rates

The main factors affecting vessel charter rates are primarily the supply and demand for container shipping. The shorter the charter period, the greater the vessel charter rate is affected by the current supply to demand balance and by the current phase of the market cycle (high point or low point). For longer charter periods, from three years to ten years, vessel charter rates tend to be more stable and less cyclical because the period may cover not only a particular phase of a market cycle, but a full market cycle or several market cycles. Other factors affecting charter rates include the age and characteristics of the ships (including fuel consumption, speed, wide beam, shallow draft, whether geared or gearless), the price of new-built and secondhand ships (buying as an alternative to chartering ships) and market conditions.

According to industry sources, during 2015 time charter rates strengthened during the first half of the year only to collapse by the end of 2015. The Alphaliner charter index ended the year at 44.7 points, down 3% compared to December 2014.

Container Freight Rates

Factors that drive vessel charter rates also affect container freight rates. Container freight rates are primarily driven by the supply and demand for container shipping, the cost of operating ships, fuel prices, and carrier behaviour, including inter-carrier competition. To some extent, container freight rates are also affected by market conditions.

According to industry sources, freight rates across global trade routes have, dropped in 2015, a sign of continuing oversupply. The overall Shanghai Containerised Freight Index ended 2015 at 487 points compared to its opening reading of 2015 at 1,055 points. However, based on the Shanghai Containerised Freight Index, freight rates for boxes shipped from Shanghai to Europe averaged US$ 1,008 per TEU in 2015 which was 27% lower than the full year 2014 average.

Global Container Trade

According to industry sources, the global container trade grew by approximately 2.4% in 2015 and is expected to grow by 4% in 2016.

Disclosure Pursuant to Section 13(r) of the Securities Exchange Act of 1934

The disclosure below does not relate to any activities conducted by Diana Containerships Inc., its management or Unitized Ocean Transport Limited, its vessel technical manager. The disclosure herein relates solely to certain activities conducted by Diana Shipping Inc.

Section 219 of the U.S. Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, added a new Section 13(r) to the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, that requires each SEC reporting issuer to disclose in its annual and, if applicable, quarterly reports regardless of 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. The required disclosure includes disclosure of activities that are not prohibited by U.S. or other law, even if conducted outside of the U.S. by non-U.S. affiliates in compliance with local law.

Diana Shipping Inc. is the former parent company of the Company and current owner of 25.7% of our common stock, and certain members of the Company's board of directors and senior management team are also members of the board of directors and management team of Diana Shipping Inc., however all vessel operations of the Company and Diana Shipping Inc. are performed by separate companies that do not share common management teams or boards of directors. The Company has been advised that the Annual Report on Form 20-F for the year ended December 31, 2015 to be filed by Diana Shipping Inc. with the Securities and Exchange Commission is expected to contain the disclosure set forth below (with all references contained therein to "the Company" being references to Diana Shipping Inc. and its consolidated subsidiaries). As a result, it appears that the Company may be required to provide the disclosures set forth below pursuant to Section 219 of ITRA and Section 13(r) of the Exchange Act. By providing this disclosure, the Company does not admit that it is an affiliate of Diana Shipping Inc. The disclosure relates solely to activities conducted by Diana Shipping Inc. and its consolidated subsidiaries.

The expected disclosure of Diana Shipping Inc. is as follows:

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, the vessels Amphitrite and Clio made five port calls to Iran in 2015 for a combined length of 60 days. The vessel Amphitrite made calls to the port of Bandar Imam Khomeini on December 29, 2014 (discharging corn), April 29, 2015 (discharging soya beans), September 6, 2015 (discharging corn) and November 28, 2015 (discharging maize), and remained in the port of Bandar Imam Khomeini during 2015 for 50 days in the aggregate. The vessel Clio made a call to the port of Bandar Imam Khomeini on October 27, 2015, discharging corn, and remained in the port of Bandar Imam Khomeini for 10 days. During this time the Amphitrite was on time charter to Bunge S.A. at a gross rate of $11,300 per day and the Clio was on time charter to Transgrain Shipping B.V at a gross rate of $6,500 per day. Our aggregate gross revenue attributable to these 60 days of port calls was approximately $3.2 million, less 5% commissions paid to third parties. 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 the Amphitrite and Clio 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 Amphitrite, Clio 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, and, in the countries in which our vessels may operate or are registered, 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 governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the U.S. Coast Guard and harbor masters), classification societies, flag state administrations (countries of registry) and charterers. Some of these entities require us to obtain permits, licenses, certificates or approvals for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates, approvals or financial assurances could require us to incur substantial costs or temporarily suspend operation of one or more of the vessels in our fleet, or lead to the invalidation or reduction of our insurance coverage.

In recent periods, heightened levels of environmental and operational safety concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We believe that the operation of our vessels will be in substantial compliance with applicable environmental laws and regulations and that our vessels will have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly strict requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the re-sale value or useful lives of our vessels. In addition, a future serious marine incident, such as one comparable to the 2010 BP plc 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 or regulation that could negatively affect our profitability.

International Maritime Organization (IMO)

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

Air Emissions

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

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

Sulfur content standards are even stricter within certain "Emission Control Areas", or ECAs. As of July 1, 2010, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 1.0% (from 1.50%), which was further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America were designated ECAs, and effective January 1, 2014, the applicable areas of the United States Caribbean Sea were designated ECAs. 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.

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

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships in part to address greenhouse gas emissions. It made the Energy Efficiency Design Index (EEDI) for new ships mandatory and the Ship Energy Efficiency Management Plan (SEEMP) apply to all ships.

Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or the SOLAS Convention, and the International Convention on Load Lines, or 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, and May 2013 SOLAS Convention amendments regarding emergency training and drills, entered into force as of January 1, 2014. The Convention on Limitation of Liability for Maritime Claims (LLMC) was 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 claim and property claims against ship-owners.

Our operations are also subject to environmental standards and requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the IMO under the SOLAS Convention. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive "Safety Management System" that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our Manager, UOT, implements for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate under the ISM Code unless its manager has been awarded a document of compliance, issued in most instances by the vessel's flag state or by Classification Societies on behalf of the flag state. We believe that we have all material requisite documents of compliance for our offices and safety management certificates for all of our vessels for which such certificates are required by the ISM Code. We will renew these documents of compliance and safety management certificates as required.

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

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose pollution control and liability in international waters and the territorial waters of the signatory nations to such conventions. For example, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, or the CLC, although the United States is not a party. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable, subject to certain defenses, for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil. The limits on liability outlined in the 1992 Protocol use the International Monetary Fund currency unit of Special Drawing Rights, or SDR. Amendments adopted in 2000, which entered into force in 2003, raised the compensation limits set forth in the 1992 Protocol by 50 percent. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's personal fault and under the 1992 Protocol where the spill is caused by the shipowner's personal act or omission by intentional or reckless conduct. A state that is a party to the CLC may not allow a ship under its flag to trade unless that ship has a certificate of insurance or something equivalent. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that of the CLC. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

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

In addition, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, the BWM Convention has not yet been ratified but proposals regarding implementation have recently been submitted to the IMO. Many of the implementation dates originally written in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period for installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems (BWMS). For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that they are triggered by the entry into force date and not the adoption dates 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. Furthermore, in October 2014 the MEPC met and adopted additional resolutions concerning the BWM Convention's implementation. 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. It is difficult to predict the overall impact of such a requirement on our operations.

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

U.S. Regulations

The U.S. Oil Pollution Act of 1990, or 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 in the United States, its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define "owner and operator" "in the case of a vessel as any person owning, operating or chartering by demise, the vessel." Although OPA is primarily directed at oil tankers (which are not operated by us), it also applies to non-tanker ships, including containerships, with respect to the fuel oil, or bunkers, used to power such ships. CERCLA also applies to our operations.

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

Injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;

Injury to, or economic losses resulting from, the destruction of real and personal property;

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;

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

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

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.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank 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 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 or tort law.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of their potential liability under OPA and CERCLA. 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. For example, on August 15, 2012, the U.S. Bureau of Safety and Environment Enforcement (BSEE) issued 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. 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. 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 April 2015, it was announced that new regulations are expected to be imposed in the United States regarding offshore oil and gas drilling. 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 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 a material adverse effect on our business, financial condition, results of operations and cash flows. The U.S. Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

The EPA regulates the discharge of ballast and bilge water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit, or VGP, authorizing ballast and bilge water discharges and other discharges incidental to the operation of vessels. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. On March 28, 2013, the EPA re-issued the VGP for another five years; this VGP took effect on December 19, 2013. The new VGP focuses on authorizing discharges incidental to operations of commercial vessels. The VGP also contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the U.S. Coast Guard implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The USCG must approve any technology before it is placed on a vessel, but has not yet approved the technology necessary for vessels to meet the foregoing standards.

Notwithstanding the foregoing, as of January 1, 2014, vessels are technically subject to the phrasing-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. The revised ballast water standards are consistent with those adopted by the IMO in 2004. Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of 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. 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. 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 U.S. Clean Air Act

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA also requires states to draft State Implementation Plans, 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.

Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

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 regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, flag and the number of time 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.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from ships in international transport 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 did not result in an agreement that directly limited greenhouse gas emissions from ships.

As of January 1, 2013, all ships must comply with mandatory requirements adopted by the MEPC in July 2011 relating to greenhouse gas emissions. All ships are required to follow the Ship Energy Efficiency Management Plans. Now the minimum energy efficiency levels per capacity mile, outlined in the Energy Efficiency Design Index, applies to all new ships. These requirements could cause us to incur additional compliance costs. 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. In April 2013, the European Parliament rejected proposed changes to the European Union Emissions Law regarding carbon trading. In June 2013 the European Commission developed a strategy to integrate maritime emissions into the overall European Union Strategy to reduced greenhouse gas emissions. If the strategy is adopted by the European Parliament and Council large vessels using European Union ports would be required to monitor, report, and verify their carbon dioxide emissions beginning in January 2018. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at European ports from January 2018 collect and publish data on carbon dioxide omissions.

In December 2013 the European Union environmental ministers discussed draft rules to implement monitoring and reporting of carbon dioxide emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, the EPA is considering a petition from the California Attorney General and environmental groups to regulate greenhouse gas emissions from ocean-going vessels. 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.

International Labour Organization

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

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the U.S. Environmental Protection Agency (EPA).

Similarly, in December 2002, amendments to 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. Among the various requirements are:

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

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

the development of vessel security plans;

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

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

compliance with flag state security certification requirements.

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

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board, as of July 1, 2004, a valid ISSC attesting to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. We have already implemented the various security measures addressed by the MTSA, the SOLAS Convention and the ISPS Code.

Inspection by Classification Societies

Every oceangoing vessel must be constructed and classified in accordance with the applicable Rules & Regulations of a classification society. The Class Certificate that will be issued upon completion of vessel's construction by the classification society certifies that the vessel complies with the Class Rules and includes vessel's Character of Classification and the applicable class notations which provide useful information about the construction and the characteristics of the vessel. To maintain it's 'class', every vessel shall be inspected periodically by authorized surveyors of the classification society that is classed with. During these periodical surveys it shall be confirmed compliance with applicable class rules and regulations. In addition, the classification society acting as Recognized Organization (RO) will carry out necessary statutory surveys and will issue the statutory certificates on behalf of vessel's Flag Administration which will ensure compliance with all applicable International and National requirements and will enable the vessel to obtain sail permit from the port authorities.

For maintenance of the class certification, regular (periodical) 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 intervals indicated by the character of classification, (usually every 5 years). At the special survey, the vessel is thoroughly examined, including UTM-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. Upon 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.

Bottom Surveys : Underwater parts of vessel's hull shall be surveyed twice within a class period which normally shall be carried out in drydock. However for vessels with special class notation, one of the two bottom surveys may be carried out afloat with class approved diving company.

If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the IACS. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard agreements.

100% Container Screening

On August 3, 2007, the United States signed into law the Implementing Recommendations of the 9/11 Commission Act of 2007 (the "9/11 Commission Act"). The 9/11 Commission Act amends the SAFE Port Act of 2006 to require that all containers being loaded at foreign ports onto vessels destined for the United States be scanned by nonintrusive imaging equipment and radiation detection equipment before loading.

As a result of the 100% scanning requirements added to the SAFE Port Act of 2006, ports that ship to the United States may need to install new x-ray machines and make infrastructure changes in order to accommodate the screening requirements. Such implementation requirements may change which ports are able to ship to the United States and shipping companies may incur significant increased costs. It is impossible to predict how this requirement will affect the industry as a whole, but changes and additional costs can be reasonably expected.

Risk of Loss and Insurance Coverage

General

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

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity cover and freight, demurrage and defense cover for our vessels 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 we procure adequate insurance coverage, 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 and Machinery and War Risks Insurance

We maintain for our vessels marine hull and machinery and war risks insurance, which covers, among other risks, the risk of actual or constructive total loss. Our vessels are each covered up to at least fair market value with deductibles which vary according to the size and value of the vessel.

Protection and Indemnity Insurance

Protection and indemnity insurance is generally 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 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."

We procure protection and indemnity insurance coverage for pollution in the amount of $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 certain P&I Associations which are members 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. Supplemental calls are made by the P&I Associations based on estimates of premium income and anticipated and paid claims and such estimates are adjusted each year by the Board of Directors of the P&I Associations until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. We do not know whether any supplemental calls will be charged in respect of any policy year by the P&I Associations in which the Company's vessels are entered. To the extent we experience supplemental calls; our policy is to expense such amounts.

C. Organizational Structure

We are a corporation incorporated under the laws of the Republic of the Marshall Islands on January 7, 2010. We are the sole owner of all of the issued and outstanding shares of the subsidiaries listed in Note 1 "General Information" of our consolidated financial statements filed as part of this annual report and in exhibit 8.1 to this annual report.

D. Property, Plants and Equipment

Our Manager, UOT, currently rents our office space from an unrelated third party and owns office furniture and equipment. Furthermore, in December 2014, UOT acquired, jointly with two other related parties, from unrelated individuals, a plot of land, in Athens, Greece, for an aggregate price of Euro 2.0 million or $2.5 million, based on the exchange rate of U.S. Dollar to Euro on the date of acquisition. The plot of land is under the common ownership of the joint purchasers. We paid one third of the purchase price, and the total cost for the acquisition of the plot, including additional capitalized costs, amounted to $0.9 million.

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 consolidated financial statements and their notes included elsewhere in this 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 "Item 3.D-Risk Factors" and elsewhere in this report.

A. Operating Results

We charter our vessels to customers primarily pursuant to short-term and long-term time charters. Currently, we have secured time charters for the operating vessels of our fleet with minimum remaining durations up to 7 months. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes, environmental costs 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 including 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 and special surveys including vessel positioning for such events.

Time Charter Equivalent (TCE) rates. We define TCE rates as our time charter revenues, net, 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 management believes it is useful to provide 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 generally are expressed in such amounts.

Daily Operating Expenses. We define daily operating expenses as total vessel operating expenses, which include crew wages and related costs, the cost of insurance and vessel registry, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes, regulatory fees, environmental costs and other miscellaneous expenses divided by total ownership days for the relevant period.

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

	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013
Ownership days	4,600	3,198	3,516
Available days	4,515	3,198	3,516
Operating days	4,155	3,189	3,442
Fleet utilization	92.0%	99.7%	97.9%
Time charter equivalent (TCE) rate (1)	$ 13,192	$ 16,803	$ 15,162
Daily operating expenses	$ 7,793	$ 8,305	$ 8,780

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

Time Charter Revenues

Our revenues are driven primarily by the number of vessels in our fleet, the number of voyage days and the amount of daily charter hire 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 container shipping industry; and

other factors affecting spot market charter rates for container vessels.

Period charters refer to both time and bareboat charters. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market generate revenues that are less predictable but may enable their owners to capture increased profit margins during periods of improvements in charter rates although their owners would be exposed to the risk of declining charter rates, which may have a materially adverse impact on financial performance. As we employ vessels on period charters, future spot charter rates may be higher or lower than the rates at which we have employed our vessels on period charters.

Currently, the majority of the vessels in our fleet are employed on time charters, while some of them are not chartered. Our time charter agreements subject us to counterparty risk. In depressed market conditions, charterers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Voyage Expenses

We incur voyage expenses that include port and canal charges, bunker (fuel oil) expenses and commissions. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the owner of the vessels. Currently, we incur port and canal charges and bunker expenses only for the few vessels that are off-hire, while the majority of our vessels are employed under time charters that require the charterer to bear all of those expenses.

We have paid commissions ranging from 0% to 5% of the total daily charter hire rate of each charter to unaffiliated ship brokers, depending on the number of brokers involved with arranging the charter. In addition to commissions paid to third parties, we have historically paid to our former fleet manager, DSS, a commission that was equal to 1% of our revenues in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. Effective March 1, 2013, our new fleet manager, UOT, our wholly-owned subsidiary, receives commission that is equal to 2% of our gross revenues in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. However, this commission is eliminated from our consolidated financial statements as an intercompany transaction.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance and vessel registry, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes, regulatory fees, environmental costs and other miscellaneous expenses. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for crew wages and insurance, may also cause these expenses to increase. In conjunction with our senior executive officers, our Manager has established an operating expense budget for each vessel and performs the day-to-day management of our vessels under separate management agreements with our vessel-owning subsidiaries. We monitor the performance of our Manager by comparing actual vessel operating expenses with the operating expense budget for each vessel. We are responsible for the costs of any deviations from the budgeted amounts.

Vessel Depreciation

We depreciate our vessels on a straight-line basis over their estimated useful lives which we estimate to be 30 years from the date of their initial delivery from the shipyard. Depreciation is based on the cost less the estimated salvage values. Each vessel's salvage value is the product of her light-weight tonnage and estimated scrap rate, which, effective July 1, 2013, is estimated at $350 per light-weight ton for all vessels in the fleet. We believe that these assumptions are common in the containership industry.

Management Fees

We paid to DSS, our former fleet manager, up to February 28, 2013, a fixed management fee of $15,000 per month for employed vessels and would also pay $20,000 per vessel per month for laid-up vessels, in exchange for providing us with commercial and technical services pursuant to Vessel Management Agreements. Since March 1, 2013, our new fleet manager, UOT, receives a fixed monthly management fee of $15,000 per vessel in operation, and will receive a fixed monthly fee of $7,500 for laid-up vessels, if any. However, these management fees are eliminated from our consolidated financial statements as intercompany transactions.

General and Administrative Expenses

We incur general and administrative expenses, including our onshore related expenses such as legal and professional expenses. Certain of our general and administrative expenses are provided for under our Broker Services Agreement with Diana Enterprises. We also incur payroll expenses of employees and general and administrative expenses reflecting the costs associated with running a public company, including board of director costs, director and officer insurance, investor relations, registrar and transfer agent fees and legal and accounting costs related to our compliance with public reporting obligations and the Sarbanes-Oxley Act of 2002.

Interest and Finance Costs

We incur interest and finance costs in connection with our vessel-specific debt. As at December 31, 2015, we had $144.7 million of outstanding principal indebtedness from our loan agreement with the Royal Bank of Scotland and $48.8 million outstanding principal indebtedness from our loan agreement with Diana Shipping Inc.

Lack of Historical Operating Data for Vessels before their Acquisition

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, there is no historical financial due diligence process when we acquire vessels. Accordingly, we will not obtain the historical operating data for the vessels from the sellers because that information is not material to our decision to make acquisitions, nor do we believe it would be helpful to potential investors in our common shares in assessing our business or profitability. Most vessels are sold under a standardized agreement, which, among other things, provides the buyer with the right to inspect the vessel and the vessel's classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller's technical manager and the seller is automatically terminated and the vessel's trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business. Although vessels are generally acquired free of charter, we have in the past and we may, in the future, acquire vessels with existing time charters. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter, and 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's entering into a separate direct 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.

When we purchase a vessel and assume or renegotiate a related time charter, we must take, among other things, 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;

obtain the charterer's consent to a new flag for the vessel;

arrange for a new crew for the vessel;

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.

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:

- acquisition and disposition of vessels;
- 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;
- on board safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel hire 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 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 may affect our profitability, cash flows and shareholders' return on investment include:

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

See " Item 3.D-Risk Factors" for additional factors that may affect our business.

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

In "Critical Accounting Policies – Impairment of long-lived assets," we discuss our policy for impairing the carrying values of our vessels. Historically, the market values of vessels have experienced volatility, which from time to time may be substantial. As a result, the charter-free market value of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy. In 2015, we recorded impairment charges for the vessel *Hanjin Malta*, as our impairment test exercise indicated that its carrying value was not recoverable. In 2014, our impairment test exercise did not result in an indication of impairment.

Based on: (i) the carrying value of each of our vessels as of December 31, 2015 and 2014, and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2015 and 2014, the aggregate carrying value of 10 vessels in our fleet as of December 31, 2015 and 8 vessels as of December 31, 2014 exceeded their aggregate charter-free market value by approximately $99.0 million and $77.9 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 reduce our net income or increase our loss if we sold all of such vessels at December 31, 2015 and 2014, 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 the purposes of this calculation, we have assumed that these 10 and 8 vessels, respectively, would be sold at prices that reflect our estimate of their charter-free market values as of December 31, 2015 and 2014. However, as of the same date, certain of those container vessels were employed for their remaining charter duration, under time charters which we believe were above market levels. We believe that if these vessels were sold with those charters attached, we would have received a premium over their charter-free market value. However, as of December 31, 2015, and currently, we have not entered into any agreement to sell any of our vessels, apart from the vessel *Hanjin Malta*, which was sold for demolition in March 2016, and its carrying value had been impaired as of December 31, 2015.

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 values 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 values of our vessels or prices that we could achieve if we were to sell them. We also refer you to the risk factor under "Item 3.D—Risk Factors" entitled "Vessel values may fluctuate, which may adversely affect our financial condition, result in the incurrence of a loss upon disposal of a vessel, impairment losses or increases in the cost of acquiring additional vessels".

	Vessel	TEU	Year Built	Carrying Value (in millions of US dollars) At December 31, 2015	At December 31, 2014
1	Sagitta	3,426	2010	38.2*	39.6*
2	Centaurus	3,426	2010	39.6*	41.0*
3	Cap Domingo	3,739	2001	22.3*	23.4*
4	Cap Doukato	3,739	2002	22.9*	24.0*
5	Garnet (ex Apl Garnet)	4,729	1995	-	15.9*
6	Hanjin Malta	4,024	1993	5.0	12.3*
7	Puelo	6,541	2006	43.3*	44.9*
8	Pucon	6,541	2006	43.4*	45.0*
9	March	5,576	2004	21.4	22.1
10	Great	5,576	2004	21.3	22.0
11	Pamina	5,042	2005	15.4*	15.9
12	YM Los Angeles	4,923	2006	18.2*	-
13	YM New Jersey	4,923	2006	18.3*	-
14	Rotterdam	6,494	2008	36.8*	-
15	Hamburg	6,494	2009	38.5	-
	Vessels Net Book Value			**384.6**	**306.1**

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*****Indicates vessels for which we believe, as of December 31, 2015 and December 31, 2014, 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 $99.0 million and $77.9 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 consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures 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 when we acquire and operate vessels, because they generally involve a comparatively higher degree of judgment in their application. For a description of all our significant accounting policies, see Note 2 to our consolidated financial statements included in this annual report.

Accounts Receivable, Trade

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

Accounting for Revenues and Expenses

Revenues are generated from time charter agreements that we have entered into for our vessels and may enter into in the future. Time charter agreements with the same charterer are accounted for as separate agreements according to the terms and conditions of each agreement. Time charter revenues are recorded over the term of the charter as service is provided. Revenues are recorded 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 in connection with the repositioning of a vessel by the charterer to the vessel owner is recognized in the period earned. Deferred revenue includes cash received prior to the balance sheet date for which all criteria for recognition as revenue would not be met, including any deferred revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis. Deferred revenue also may include the unamortized balance of liabilities associated with the acquisition of secondhand vessels with time charters attached, acquired at values below fair market value at the date the acquisition agreement is consummated.

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

Prepaid/Deferred Charter Revenue

The Company records identified assets or liabilities associated with the acquisition of a vessel at their relative fair value, determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. In determining the relative fair value, when the present value of the contractual cash flows of the time charter assumed is different than its current fair value, the difference, capped to the excess between the acquisition cost and the vessel's fair value on a charter free basis, is recorded as prepaid charter revenue or as deferred revenue, respectively. Such assets and liabilities, respectively, are amortized as a reduction of, or an increase in, revenue over the period of the time charter assumed.

Vessel Cost

Vessels are stated at cost which consists of the contract price and costs incurred upon acquisition or delivery of a vessel from a shipyard. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earnings capacity or improve the efficiency or safety of the vessels; otherwise these amounts are charged to expense as incurred.

Vessel Depreciation

We have recorded the value of our vessels at their cost, which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for her initial voyage, less accumulated depreciation. We depreciate our containership vessels on a straight-line basis over their estimated useful lives, estimated to be 30 years from the date of initial delivery from the shipyard which we believe is also consistent with that of other shipping companies. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. Depreciation is based on cost less the estimated salvage value. Furthermore, we have historically estimated the salvage values of our vessels to be $200 to $350 per light-weight ton depending on the vessels age and market conditions, while effective July 1, 2013 we adjusted prospectively the scrap rate used to $350 per light-weight ton for all vessels in the fleet. A decrease in the useful life of a containership or in her 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 every five years 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 drydocking 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 capitalized as part of the drydocking include actual costs incurred at the yard and parts used in the drydocking. We believe that these criteria are consistent with industry practice and that our policy of capitalization reflects the economics and market values of the vessels.

Impairment of Long-lived Assets

We evaluate the carrying amounts, primarily for vessels and related drydock costs, and periods over which our long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. When the estimate of future undiscounted net operating cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, we should evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset. We determine the fair value of our assets based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. The current economic and market conditions are having broad effects on participants in a wide variety of industries. The current conditions in the containerships market with decreased charter rates and decreased vessel market values are conditions that we consider indicators of a potential impairment.

We determine future undiscounted net operating cash flows for each vessel and compare them to the vessel's carrying value. The projected net operating cash flows are determined by considering the historical (excluding years with extraordinary figures) and estimated vessels' performance and utilization, the charter revenues from existing charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days, based, to the extent applicable, on the most recent ten-year blended, for modern and older vessels, average historical 6-12 months time charter rates available for each type of vessel, over the remaining estimated life of each vessel net of brokerage commissions, expected outflows for scheduled vessels' maintenance and vessel operating expenses assuming an average annual inflation rate of 3%. Effective fleet utilization is assumed at 98%, taking into account the period(s) each vessel is expected to undergo its scheduled maintenance (drydocking and special surveys), as well as an estimate of 1% off hire days each year, which assumptions are in line with our historical performance and our expectations for future fleet utilization under our current fleet deployment strategy. The review of the vessel's carrying amounts in connection with the estimated recoverable amounts for the year ended December 31, 2014 did not indicate impairment charges for any of our vessels, while for the years ended December 31, 2015 and 2013, the above mentioned review indicated impairment charges for certain of our vessels, amounting to $6.6 million and $42.3 million, respectively.

Set forth below is an analysis of the average estimated daily time charter equivalent rate used in our impairment analysis as of December 31, 2015:

	Average estimated daily Time charter equivalent rate used
Up to 4,000 TEU	$ 14,965
Between 4,000 TEU and 6,000 TEU	$ 18,222
Above 6,000 TEU	$ 25,779

For the purposes 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 the use of each of these rates would have on the Company's impairment analysis.

	5-year period (in USD)	Impairment charge (in USD million)	3-year period (in USD)	Impairment charge (in USD million)	1-year period (in USD)	Impairment charge (in USD million)
Up to 4,000 TEU	9,431	67.3	8,368	67.3	10,338	67.3
Between 4,000 - 6,000 TEU	11,816	4.3	9,761	7.4	11,817	4.3
Above 6,000 TEU	n/a*	n/a*	24,986	0.0	22,750	0.0

**For the vessels with capacity of more than 6,000 TEU, average daily rates were only available since 2012.*

Share Based Payment

According to Code 718 "Compensation – Stock Compensation" of the Accounting Standards Codification, we are required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, with limited exceptions. That cost is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period, which is 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. We initially measure 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 is 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.

Results of Operations

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

Net Income / (Loss). Net loss for 2015 amounted to $17.5 million, compared to a net income of $3.2 million for 2014. The loss for 2015 was mainly the result of impairment charges and direct sale and other charges totalling $14.9 million.

Time Charter Revenues, net of prepaid charter revenue amortization. Time charter revenues, net of prepaid charter revenue amortization of $8.6 million and $11.6 million for 2015 and 2014 respectively, amounted to $62.2 million for 2015, compared to $54.1 million in 2014. The net time charter revenues increased, despite the decrease of the daily time charter rates, mainly as a result of the 44% increase of ownership days and the decrease of the prepaid charter revenue amortization.

Voyage Expenses. Voyage expenses for 2015 amounted to $2.6 million, compared to $0.3 million in 2014. Voyage expenses in 2015 mainly consist of bunkers costs and commissions paid to third party brokers. The increase in voyage expenses in 2015 compared to 2014 was mainly due to the increased bunkers costs that we incurred while certain of our vessels were off-hire and also due to increased commissions. As commissions are a percentage of time charter revenues, they follow the same trend with time charter revenues.

Vessel Operating Expenses. Vessel operating expenses amounted to $35.8 million in 2015, compared to $26.6 million in the prior year and mainly consist of expenses for running and maintaining the vessels, such as crew wages and related costs, consumables and stores, insurances, repairs and maintenance and environmental compliance costs. The increase in 2015 was primarily due to the enlargement of our fleet and also due to increased average stores and spares expenses, partly offset by decreased average crew cost and repairs and maintenance costs.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges for 2015 amounted to $13.1 million, compared to $10.3 million in 2014 and for 2015, it mainly represents the depreciation expense of our containerships and the amortization charge of dry-docking costs for four of our vessels which underwent during the year their scheduled dry-dockings. In 2014, the figure mainly includes the vessel's depreciation expense, as no vessels had performed any dry-dockings until then.

General and Administrative Expenses. General and administrative expenses for 2015 amounted to $6.2 million, compared to $6.3 million in 2014 and mainly consist of payroll expenses of office employees, consultancy fees, brokerage services fees, compensation cost on restricted stock awards, legal fees and audit fees. The slight decrease in general administrative expenses was mainly attributable to decreased payroll and bonuses of the office employees and was partly off-set by increased compensation cost on restricted stock awards and legal fees.

Impairment Losses. Impairment losses in 2015 were $6.6 million and represent non-cash impairment charges recorded for the vessel *Hanjin Malta*.

Loss on Vessels' Sale. Loss on vessels' sale amounted to $8.3 million in 2015, and relates to the sale of the vessel *Garnet* (ex *Apl Garnet)* in September 2015, while in 2014, Loss on vessels' sale amounted to $0.7 million and related to the sale of the vessel *Apl Sardonyx*.

Foreign Currency Losses / (Gains). Foreign currency gains for 2015 amounted to $55 thousand, which mainly consists of unrealized exchange differences derived from the year-end valuation of accounts other than the U.S. Dollar. In 2014, there were foreign currency losses of $17 thousand.

Interest and Finance Costs. Interest and finance costs for 2015 amounted to $7.2 million, compared to $6.7 million for 2014 and consist of the interest expenses relating to our average debt outstanding during the respective periods and other loan fees and expenses. The increase in 2015 was mainly attributable to the increase of our average total debt, after our re-finance of our loan agreement with RBS in September 2015, and to commitment fees payable in connection with this agreement, and was partly off-set by decreased interest rates, which decreased to 3.7% in 2015 from 3.9% in 2014.

Interest Income. Interest income for 2015 and 2014, amounted to $0.1 million, and consists of interest income received on deposits of cash and cash equivalents.

Year ended December 31, 2014 compared to the year ended December 31, 2013

Net Income / (Loss). Net income for 2014 amounted to $3.2 million, compared to a net loss of $57.3 million for 2013. The loss for 2013 was mainly the result of impairment charges and direct sale and other charges totalling $58.8 million.

Time Charter Revenues, net of prepaid charter revenue amortization. Time charter revenues, net of prepaid charter revenue amortization of $11.6 million and $20.3 million for 2014 and 2013 respectively, amounted to $54.1 million for 2014, compared to $54.0 million in 2013. The net time charter revenues remained relatively unchanged, despite the 12% decrease of the gross time charter revenues and the 9% decrease of ownership days, as a result of the decrease of the prepaid charter revenue amortization. In 2013, prepaid charter revenue amortization was recognized for six vessels in total, while the time charter agreements for two of these vessels expired in December 2013 and January 2014 and for another two vessels the time charter agreements expired in December 2014.

Voyage Expenses. Voyage expenses for 2014 amounted to $0.3 million, compared to $0.7 million in 2013. Voyage expenses mainly consist of commissions paid to third party brokers, and up to February 28, 2013 also included commissions paid to DSS on our gross charterhire pursuant to our vessel management agreements. The decrease in voyage expenses in 2014 compared to 2013 was due to the decrease in commissions, as effective March 1, 2013, UOT provides us with management services similar to those previously provided by DSS, and these fees are eliminated in consolidation as intercompany transactions. In addition, as commissions are a percentage of time charter revenues, they follow the same trend with time charter revenues.

Vessel Operating Expenses. Vessel operating expenses amounted to $26.6 million in 2014, compared to $30.9 million in the prior year and mainly consist of expenses for running and maintaining the vessels, such as crew wages and related costs, consumables and stores, insurances, repairs and maintenance and environmental compliance costs. The decrease in 2014 was primarily due to the decrease in ownership days and also due to decreased average crew costs, stores and spares expenses.

Depreciation. Depreciation for 2014 amounted to $10.3 million, compared to $11.1 million in 2013 and represents the depreciation expense of our containerships during the respective periods. The decrease in 2014 was mainly due to decreased ownership days during the year.

Management Fees. Management fees were zero in 2014, compared to $0.3 million in 2013 and consisted of fees payable to DSS pursuant to the vessel management agreements that we, through our vessel-owning subsidiaries, had entered into for the provision of commercial and technical management services for the vessels in our fleet. In 2014 there were no management fees, as UOT, our wholly-owned subsidiary, provides us with similar services since March 1, 2013.

General and Administrative Expenses. General and administrative expenses for 2014 amounted to $6.3 million, compared to $5.1 million in 2013 and mainly consist of payroll expenses of office employees, consultancy fees, brokerage services fees, compensation cost on restricted stock awards, legal fees and audit fees. The increase in 2014 was mainly due to the full operation of UOT in 2014, compared to the previous year when the company started its operations in March and also due to increased salaries. The increase in general administrative expenses was partly off-set by decreased legal expenses and employees' retirement obligation.

Impairment Losses. Impairment losses in 2014 were zero, compared to $42.3 million in 2013 and represented non-cash impairment charges recorded for the vessels *Maersk Madrid, Maersk Malacca, Maersk Merlion* and *Apl Sardonyx*.

Loss on Vessels' Sale. Loss on vessels' sale amounted to $0.7 million in 2014, and relates to the sale of the vessel *Apl Sardonyx*, while in 2013, Loss on vessels' sale amounted to $16.5 million and related to the sale of the vessels *Maersk Madrid, Maersk Malacca, Maersk Merlion* and *Apl Spinel*.

Foreign Currency Losses / (Gains). Foreign currency losses for 2014 amounted to $17 thousand, which mainly consists of unrealized exchange differences derived from the year-end valuation of accounts other than the U.S. Dollar. In 2013, there were foreign currency losses of $66 thousand.

Interest and Finance Costs. Interest and finance costs for 2014 amounted to $6.7 million, compared to $4.6 million for 2013 and consist of the interest expenses relating to our average debt outstanding during the respective periods and other loan fees and expenses. The increase in 2014 was due to increased average debt compared to the prior period, after the drawdown of $50.0 million from our loan agreement with Diana Shipping Inc. and $6.0 million from our credit facility with RBS in August and September 2013 respectively, and increased average interest rates, which increased to 3.9% in 2014 from 3.5% in 2013.

Interest Income. Interest income for 2014 amounted to $0.1 million, the same with 2013 and consists of interest income received on deposits of cash and cash equivalents.

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 financed our capital requirements with cash flow from operations, equity contributions from shareholders and long-term bank debt. Our main uses of funds have been capital expenditures for the acquisition of new vessels, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards, repayments of bank loans and payments of dividends. We will require capital to fund additional vessel acquisitions and debt service.

During 2015, we repaid our $98.7 million of outstanding debt to RBS and drew down an aggregate amount of $148.0 million under our new loan facility with the same bank, to refinance the acquisition cost of seven of our vessels and to support the acquisition cost of two new vessels acquired during the year. Our operating cash flow is generated from charters on our vessels, through our subsidiaries. Working capital, which is current assets minus current liabilities, amounted to $10.2 million at December 31, 2015 and $77.2 million at December 31, 2014. We anticipate that internally generated cash flow will be sufficient to fund the operations of our fleet, including our working capital requirements.

Cash Flow

As at December 31, 2015, cash and cash equivalents amounted to $29.4 million compared to $82.0 million for the prior year. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided by Operating Activities

Net cash provided by operating activities in 2015, 2014 and 2013 amounted to $17.4 million, $25.5 million, and $31.7 million, respectively. The decrease in cash from operating activities in 2015 compared to 2014, is mainly due to the decrease of our time charter rates in 2015, counterbalanced with the enlargement of our average fleet, after the acquisition of four vessels and the disposal of one vessel in 2015. The decrease in cash from operating activities in 2014 compared to 2013, is mainly due to the decrease of our average fleet during 2014, after the disposal of five vessels from May 2013 to February 2014, partly off-set with the addition of six vessels to the Company's fleet from March 2013 to November 2014, and also due to increased payments of interest and general administrative expenses.

Net Cash Used in Investing Activities

Net cash used in investing activities in 2015 was $111.8 million and consists of $113.0 million paid for the four vessels that we acquired during the year, $6.0 million paid for time charter agreements attached to the memoranda of agreement for two vessels acquired during the year, $7.0 million received from the sale of one vessel during the year, $39 thousand paid for equipment additions, and finally $0.3 million received, representing insurance settlements.

Net cash used in investing activities in 2014 was $51.6 million and consists of $60.4 million paid for the three vessels that we acquired during the year, $0.9 million paid for the acquisition of a plot of land and for equipment additions, $8.8 million received from the sale of one vessel during the year, and finally $0.9 million received, representing insurance settlements.

Net cash used in investing activities in 2013 was $81.7 million and consists of $107.9 million paid for the three vessels that we acquired during the year, $8.5 million paid for a time charter agreement attached to the memorandum of agreement of a vessel acquired during the year, $0.4 million paid for property and equipment additions, $33.7 million received from the sale of four vessels during the year, and finally $1.4 million received representing insurance settlements.

Net Cash Provided by Financing Activities

Net cash provided by financing activities in 2015 was $41.7 million and consists of $148.0 million of loan proceeds received under our new loan agreement with the Royal Bank of Scotland, $103.3 million of debt repayments and prepayments, $3.2 million of finance costs that we paid for our new loan agreement with RBS and for our amendment of the DSI loan agreement, $0.7 million of cash dividends paid to investors and $0.9 million of reduced restricted cash required under our new loan facility with RBS.

Net cash provided by financing activities in 2014 was $88.5 million and consists of $96.0 million of net proceeds received from the offering of 1,092,596 shares of common stock under our at-the-market program and of 36,653,386 shares under the private equity placement that took place during the year, and $7.5 million of cash dividends paid to investors.

Net cash provided by financing activities in 2013 was $38.1 million and consists of $12.4 million of net proceeds received from the offering of 2,859,603 shares of common stock under our at-the-market program, $6.0 million of loan proceeds received under our loan agreement with the Royal Bank of Scotland, and $50.0 million of loan proceeds received under our loan agreement with DSI. It also includes $29.7 million of cash dividends paid to investors, and $0.6 million of additional restricted cash required under our credit facility.

Loan Facilities

The Royal Bank of Scotland plc – Revolving Credit Facility: On December 16, 2011, we entered into a revolving credit facility with the Royal Bank of Scotland plc, where the lenders agreed to make available to us a revolving credit facility of up to $100.0 million, in order to refinance part of the acquisition cost of the vessels *m/v Sagitta* and *m/v Centaurus*, and finance part of the acquisition cost of additional containerships ("Additional Ships"). An aggregate amount of $98.7 million was drawn down under the credit facility. We paid an arrangement fee of 1%, or $1 million, on signing of the agreement. We also paid commitment commissions of 0.99% per annum on the available commitment up to October 31, 2013, date at which the available amount to be drawn from the credit facility became zero.

The facility would have been available for five years with the maximum available amount reducing based on the age of the financed vessels and being assessed on a yearly basis, as well as, at the date on which the age of any Additional Ship exceeded the 20 years. In the event that the amounts outstanding at that time exceeded the revised Available Facility Limit, we would have repaid such part of the loan that exceeded the Available Facility Limit. The credit facility provided for interest at LIBOR plus a margin of 2.75% per annum, and effective June 1, 2013, for an increased margin of 3.10% per annum over LIBOR.

The facility was secured by first priority mortgages over certain vessels of the fleet, general assignments of earnings, insurances and requisition compensation, minimum insurance coverage, specific assignments of any charters exceeding durations of twelve months, pledge of shares of the guarantors which were the ship-owning companies of the mortgaged vessels, manager's undertakings and minimum security value depending on the average age of the mortgaged vessels. The credit facility also included restrictions as to changes in certain shareholdings, management and employment of vessels, and required minimum cash of 10% of the drawings under the revolving facility, but not less than $5.0 million, to be deposited by the borrower with the lenders. Furthermore, the facility agreement contained customary financial covenants and we were not permitted to pay any dividends that would result in a breach of the financial covenants. In 2013 and 2014, we entered into various supplemental agreements with the lenders, the main terms of which provided for security interest on the minimum cash held by us in favor of the lenders and for changes in the definitions of certain financial covenants. In addition, we were required to provide additional vessels as collateral to secure the facility and were restricted from providing any security interest over our assets in favor of DSI.

Based on the age of the financed vessels, an amount of $6.0 million was repaid in August 2015. On September 15, 2015, in connection with the loan re-finance discussed below, we prepaid in full the outstanding balance of $92.7 million and the facility was terminated.

The Royal Bank of Scotland plc – Term Loan: On September 10, 2015, we, through nine of our subsidiaries, entered into a loan agreement with RBS of up to $148.0 million, to re-finance the acquisition cost of seven of our vessels, including the full prepayment of the existing facility agreement (discussed above), and to support the acquisition of the two newly acquired vessels, the *m/v Hamburg* and the *m/v Rotterdam*. Until December 31, 2015, we drew down the full amount of the loan and paid arrangement and structuring fees amounting to $1.9 million. We also paid commitment commissions of 1.375% per annum on the undrawn amounts, from July 30, 2015, the date of acceptance of the lenders' offer letter, until the drawdown dates.

The loan bears interest at the rate of 2.75% per annum over LIBOR and is repayable in quarterly installments and a balloon payment payable together with the last installment in September 2021.

The loan is secured by first preferred mortgages on nine vessels of our fleet, first priority deeds of assignments of insurances, earnings, charter rights and requisition compensation and a corporate guarantee. The loan agreement also contains customary financial covenants, minimum security value of the mortgaged vessels, requires minimum liquidity of $0.5 million per vessel in the fleet and restricted cash of $9.0 million to be deposited by the borrowers with the lenders for the duration of the loan. There are also restrictions as to changes in the DSI loan agreement, in the securities purchase agreement that we entered into in connection with the Private Placement, in certain shareholdings and management of the vessels. Finally, we are not permitted to pay any dividends that would result in a breach of the financial covenants.

As of December 31, 2015, we had $144.7 million of debt outstanding under our loan facility with RBS.

Diana Shipping Inc. ("DSI"): On May 20, 2013, we, through our subsidiary Eluk Shipping Company Inc., entered into an unsecured loan agreement of up to $50.0 million with DSI, to be used to fund vessel acquisitions and for general corporate purposes. The loan is guaranteed by the Company and, until the amendment discussed below, it bore interest at a rate of LIBOR plus a margin of 5.0% per annum and a fee of 1.25% per annum ("back-end fee") on any amounts repaid upon any repayment or voluntary prepayment dates. In August 2013, the full amount was drawn down under the loan agreement which was originally repayable on August 20, 2017.

On September 9, 2015, and in relation with the RBS refinance discussed above, the loan agreement with DSI was amended. The new loan agreement is extended until March 15, 2022 or such earlier date on which the outstanding principal balance of the loan is paid in full, provides for annual repayments of $5.0 million, plus a balloon installment at the final maturity date, and bears interest at LIBOR plus margin of 3.0% per annum. We also agreed to pay at the date of the amendment the accumulated back-end fee, amounting to $1.3 million, and that no additional back-end fee will be charged thereafter. Furthermore, we agreed that we will pay at the final maturity date a flat fee of $0.2 million.

As of December 31, 2015, we had $48.75 million of principal debt outstanding under our loan facility with DSI.

As at December 31, 2015 and the date of this annual report, we have not used any derivative instruments for hedging purposes or other purposes.

Capital Expenditures

Our future capital expenditures relate to the purchase of containerships and vessel upgrades.

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

C. Research and Development, Patents and Licenses

From time to time, we incur expenditures relating to inspections for acquiring new vessels that meet our standards. Such expenditures are capitalized to vessel's cost upon such vessel's acquisition or expensed, if the vessel is not acquired, however, historically, such expenses were not material.

D. Trend Information

Our results of operations depend primarily on the charter hire rates that we are able to realize. Charter hire rates paid for containerships are primarily a function of the underlying balance between vessel supply and demand.

With some exceptions, time charter rates for all containership sizes increased steadily from 2002 into 2005, in some cases rising by as much as 50.0%, as charter markets experienced significant growth. Demand for vessels was largely spurred on by growth in the volume of exports from China. In 2006, time charter rates weakened due to supply rising faster than demand and also market perception. This trend continued in 2007 and 2008, and in 2009 rates fell even further due to rising supply and very weak demand. With the recovery in demand since 2009 year-to-date charter rates across most sizes have improved from the lows of 2009, although in a historical context they still remain low. As such, we cannot assure investors that we will be able to fix our vessels, upon expiration of their current charters, at average rates higher than or similar to those achieved in previous years.

E. Off-balance Sheet Arrangements

As of the date of this annual report, we do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table presents our contractual obligations as of December 31, 2015:

	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)		
Broker Services Agreement (1)	$ 363	$ 363	$ -	$ -	$ -
Long Term Bank Debt (2)	144,687	15,376	30,752	30,752	67,807
Related Party Debt (2),(3)	48,950	5,000	10,000	10,000	23,950
Total	$ 194,000	$ 20,739	$ 40,752	$ 40,752	$ 91,757

(1) As per our agreement with Diana Enterprises Inc., we pay a fixed monthly fee of $121,000 for the brokerage services we are provided. The duration of the engagement based on the current agreement is ending on March 31, 2016. Please see "Item 6B.-Compensation" and "Item 7B.-Related Party Transactions" for more details.

(2) The table above does not include projected interest payments which are based on LIBOR plus a margin, which are estimated at about $6.3 million for 2016, $5.6 million for 2017 and $4.9 million for 2018, as long as the LIBOR rate remains at the levels of the year ended December 31, 2015.

(3) The table above includes a flat fee payable to Diana Shipping in 2022, amounting to $0.2 million.

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. 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 elected.

All of our executive officers are also executive officers of Diana Shipping.

Name	Age	Position
Symeon Palios	74	Class III Director, Chief Executive Officer and Chairman of the Board
Anastasios Margaronis	60	Class II Director and President
Ioannis Zafirakis	44	Class I Director, Chief Operating Officer and Secretary
Andreas Michalopoulos	44	Chief Financial Officer and Treasurer
Giannakis (John) Evangelou	71	Class III Director
Antonios Karavias	74	Class I Director
Nikolaos Petmezas	67	Class III Director
Reidar Brekke	55	Class II Director

The term of the Class I directors expires in 2017, the term of the Class II directors expires in 2018, and the term of the Class III 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 18, 175 64 Palaio Faliro, Athens, Greece.

Biographical information concerning the directors and executive officers listed above is set forth below.

Symeon Palios has served as our Chief Executive Officer and Chairman of the Board since January 13, 2010 and has served as Chief Executive Officer and Chairman of the Board of Diana Shipping Inc. since February 21, 2005 and as a Director of that company since March 9, 1999. Mr. Palios also serves currently as the President of Diana Shipping Services S.A. 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 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 Margaronis has served as our Director and President since January 13, 2010 and has served in these positions with Diana Shipping Inc. since February 21, 2005. Mr. Margaronis also serves as an employee of Diana Shipping Services S.A. Prior to February 21, 2005, Mr. Margaronis was employed by Diana Shipping Agencies S.A. and performed the services he now performs as President. He joined Diana Shipping Agencies in 1979 and has been responsible for overseeing our insurance matters, including hull and machinery, protection and indemnity, loss of hire and war risks insurances. Mr. Margaronis has experience in the shipping industry, including in ship finance and insurance, since 1980. He is a member of the Greek National Committee of the American Bureau of Shipping and a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and of the United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited. He holds a bachelor's degree in Economics from the University of Warwick and a master's of science degree in Maritime Law from the Wales Institute of Science and Technology.

Ioannis Zafirakis serves as our Director, Chief Operating Officer and Secretary. He also serves as Director, Chief Operating Officer and Secretary of Diana Shipping Inc. In addition, he is the Chief Operating Officer of Diana Shipping Services S.A., where he also serves as Director and Treasurer. Since June 1997 and up 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 January 13, 2010 and has served in these positions with Diana Shipping Inc. since March 8, 2006. 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. Symeon Palios.

Giannakis (John) Evangelou has served as an independent Director and as the Chairman of our Audit Committee since February 8, 2011. Mr. Evangelou is also a member of the Board of Directors of Elgeka-Ferfelis Romania S.A., a member of Elgeka S.A. Group of Companies which is listed on the A.S.E. and a Director of Baker Tilly South East Europe, a professional services company. Mr. Evangelou retired from Ernst & Young (Hellas), which he joined as a partner in 1998, on June 30, 2010. During his 12 years at Ernst & Young, he acted as Transaction Support leader for Greece and a number of countries in Southeast Europe including Turkey, Bulgaria, Romania and Serbia. In addition to his normal duties as a partner, Mr. Evangelou held the position of Quality and Risk Management leader for Transaction Advisory Services responsible for a sub-area comprising 18 countries spanning from Poland and the Baltic in the North to Cyprus and Malta in the South. From 1986 through 1997, Mr. Evangelou held the position of Group Finance director at Manley Hopkins Group, a Marine Services Group of Companies. From 1991 through 1997, Mr. Evangelou served as Chief Accounting Officer for Global Ocean Carriers, a shipping company that was listed on a U.S. stock exchange during that time. From 1996 to 1998, Mr. Evangelou was an independent consultant and a member of the team that prepared Royal Olympic Cruises for its listing on Nasdaq. From 1974 through 1986, Mr. Evangelou was a partner of Moore Stephens in Greece. Additionally, Mr. Evangelou is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of The Institute of Certified Public Accountants of Cyprus and a member of the Institute of Certified Accountants—Auditors of Greece.

Antonios Karavias has served as an independent Director and as the Chairman of our Compensation Committee and member of our Audit Committee since the completion of the private offering. Since 2007 Mr. Karavias has served as an Independent Advisor to the Management of Société Générale Bank and Trust and Marfin Egnatia Bank. Previously, Mr. Karavias was with Alpha Bank from 1999 to 2006 as a Deputy Manager of Private Banking and with Merrill Lynch as a Vice President from 1980 to 1999. He holds a bachelor's degree in Economics from Mississippi State University and a master's degree in Economics from Pace University. As of 2012, Mr. Karavias has been President of UNION F.Z., a financial services company registered in the U.A.E.

Nikolaos Petmezas has served as an independent Director and as a member of our Compensation Committee since the completion of our private offering in 2010. From 2001 until mid-2015, Mr. Petmezas served as the Chief Executive Officer of Maersk-Svitzer-Wijsmuller B.V. Hellenic Office and, prior to its acquisition by Maersk, as a Partner and as Chief Executive Officer of Wijsmuller Shipping Company B.V. He has also served since 1989 as the Chief Executive Officer of N.G. Petmezas Shipping and Trading, S.A., and since 1984 as the Chief Executive Officer of Shipcare Technical Services Shipping Co. LTD. Since 1995, Mr. Petmezas has served as the Managing Director of Kongsberg Gruppen A.S. (Hellenic Office) and, from 1984 to 1995, as the Managing Director of Kongsberg Vaapenfabrik A.S. (Hellenic Branch Office). Mr. Petmezas served on the Board of Directors of Neorion Shipyards, in Syros, Greece from 1989 to 1992. Mr. Petmezas began his career in shipping in 1977, holding directorship positions at Austin & Pickersgill Ltd. Shipyard and British Shipbuilders Corporation until 1983. Mr. Petmezas has been a member of the Advisory Committee of Westinghouse Electric and Northrop Grumman since 1983 and a Honorary Consul under the General Consulate of Sri Lanka in Greece since 1995. Mr. Petmezas holds degrees in Law and in Political Sciences and Economics from the Aristotle University of Thessaloniki and an LL.M. in Shipping Law from London University.

Reidar Brekke has served as an independent Director since June 1, 2010. Mr. Brekke has been a principal, advisor and deal-maker in the international energy, container logistics and transportation sector for the last 20+ years. Mr. Brekke is currently President of Intermodal Holdings LP, a company investing in intermodal assets. From 2008-2012, he was President of Energy Capital Solutions Inc., (New York and Florida) providing strategic and financial advisory services to international shipping, logistics and energy related companies. From 2003-2008 he served as Manager of Poten Capital Services LLC, a registered broker-dealer specializing in the maritime sector. Prior to 2003, Mr. Brekke was C.F.O., then President and C.O.O., of SynchroNet Marine, a logistics service provider to the global container transportation industry. From 1994 to 2000, he held several senior positions with American Marine Advisors, including Fund Manager of American Shipping Fund I LLC, and C.F.O. of its broker dealer subsidiary. Prior to this, Mr. Brekke was an Advisor for the Norwegian Trade Commission in New York and Oslo, Norway, and a financial advisor in Norway. Mr. Brekke graduated from the New Mexico Military Institute in 1986 and in 1990 he obtained a MBA from the University of Nevada, Reno. He has been an adjunct professor at Columbia University's School of International and Public Affairs – Center for Energy, Marine Transportation and Public Policy, and is currently on the board of directors of four privately-held companies involved in container logistics, container leasing and drybulk shipping.

B. Compensation

Since June 1, 2010, the members of our senior management have been compensated through their affiliation with Diana Enterprises Inc., a related party controlled by our Chief Executive Officer and Chairman of the Board Mr. Symeon Palios, as described under "Item 7B. Related Party Transactions". Pursuant to the respective Broker Services Agreements, fees payable to Diana Enterprises for brokerage services provided to us in 2015, 2014, and 2013, amounted to $1.5 million, $1.5 million and $1.4 million, respectively.

In 2014, our executive officers also received 361,442 shares of restricted stock awards, which will vest ratably over three years from the grant date. In 2015, our executive officers were awarded 731,590 shares of restricted stock awards, which will also vest ratably over three years from the grant date. Finally, in February 2016, our executive officers were further awarded 855,251 shares of restricted stock awards, which will also vest ratably over three years from the grant date. In 2015, 2014, and 2013, compensation cost relating to the aggregate amount of restricted stock awards amounted to $0.9 million, $0.3 million and $0.4 million, respectively.

Our non-executive directors receive annual compensation in the aggregate amount of $40,000 plus reimbursement of their out-of-pocket expenses incurred while attending any meeting of the board of directors or any board committee. In addition, a committee chairman receives an additional $20,000 annually, and other committee members receive an additional $10,000. In February 2016, our non-executive directors were awarded 144,738 shares of restricted stock awards, which will vest ratably over three years from the grant date. We do not have a retirement plan for our officers or directors. For 2015, 2014, and 2013, fees, bonuses and expenses to non-executive directors amounted to $0.3 million, $0.4 million and $0.3 million, respectively.

2012 Equity Incentive Plan

In 2010, we adopted an equity incentive plan, which we refer to as the 2010 Equity Incentive Plan, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates would be eligible to receive options to acquire common stock, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. We reserved for issuance a total of 392,198 common shares under the plan, which was subject to adjustment for changes in capitalization as provided in the plan. On February 21, 2012, we amended the 2010 Equity Incentive Plan and it was renamed as the 2012 Amended and Restated Equity Incentive Plan. We refer to this plan as the 2012 Equity Incentive Plan. The sole material change from the 2010 Equity Incentive Plan to the 2012 Equity Incentive Plan was the reservation for issuance of an additional two million common shares.

The 2012 Equity Incentive Plan is administered by our compensation committee, or such other committee of our board of directors as may be designated by the board to administer the plan.

Under the terms of the 2012 Equity Incentive Plan, stock options and stock appreciation rights granted under the plan will have an exercise price per common share equal to the fair market value of a common share on the date of grant, unless otherwise specifically provided in an award agreement, but in no event will the exercise price be less than the greater of (i) the fair market value of a common share on the date of grant and (ii) the par value of one share of common stock. Options and stock appreciation rights will be exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting and forfeiture provisions and other terms and conditions as determined by the plan administrator in accordance with the terms of the plan. Following the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of restricted stock units that then vest multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a "change in control" (as defined in the plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend the plan and may amend outstanding awards, provided that no such amendment may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award without the consent of such grantee. Shareholder approval of plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the 2012 Equity Incentive Plan will expire ten years from the date the plan was adopted. The plan administrator may cancel any award and amend any outstanding award agreement except no such amendment shall be made without shareholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the outstanding award.

As of the date of this annual report, we have issued a total of 2,359,685 restricted shares under the 2012 Equity Incentive Plan to our executive officers and non-executive directors, of which 631,009 shares have vested.

2015 Equity Incentive Plan

On May 5, 2015, our board of directors approved to adopt the 2015 Equity Incentive Plan, with substantially the same terms and provisions as the 2012 Equity Incentive Plan. Under the 2015 Equity Incentive Plan, an aggregate of 5,000,000 common shares were reserved for issuance. The plan is administered by the compensation committee, or such other committee of our board of directors as may be designated by the board to administer the plan. The plan will expire ten years from its date of adoption.

As of the date of this annual report, we have issued zero restricted shares under the 2015 Equity Incentive Plan to our executive officers and non-executive directors.

C. Board Practices

Actions by the Board of Directors of Diana Containerships

Our amended and restated bylaws provide that vessel acquisitions and disposals from or to a related party and long term time charter employment with any charterer that is a related party will require the unanimous approval of the independent members of our board of directors and that all other material related party transactions shall be subject to the approval of a majority of the independent members of the board of directors.

Committees of the Board of Directors

We have established an Audit Committee, comprised of two members of our board of directors, 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 Nasdaq rules and the rules and regulations of the SEC. As directed by its written charter, the Audit Committee is responsible for reviewing all related party transactions for potential conflicts of interest and all related party transactions are subject to the approval of the Audit Committee. Mr. John Evangelou has served as the Chairman of the Audit Committee since February 8, 2011. We believe that Mr. Evangelou qualifies as an Audit Committee financial expert as such term is defined under SEC rules. Mr. Antonios Karavias serves as a member of our Audit Committee.

In addition, we have established a Compensation Committee, comprised of two independent directors, which, as directed by its written charter, is responsible for recommending to the board of directors our senior executive officers' compensation and benefits. Mr. Antonios Karavias serves as the Chairman of the Compensation Committee and Mr. Nikolaos Petmezas serves as a member of our Compensation Committee.

We have also established an Executive Committee comprised of three directors, Mr. Symeon Palios, our Chief Executive Officer and Chairman of the Board, Mr. Anastasios Margaronis, our President, and Mr. Ioannis Zafirakis, our Chief Operating Officer and Secretary. The Executive Committee is responsible for the overall management of our business.

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.

D. Crewing and Shore Employees

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

Prior to February 28, 2013, we had no shore-based employees. Our former fleet manager, DSS, through the Broker Services Agreement with Diana Enterprises and through the Administrative Services Agreement was responsible for providing services to us and through the Vessel Management Agreements was responsible for recruiting, either directly or through a technical manager or a crew manager, the senior officers and all other crew members for the vessels in our fleet. DSS was responsible for ensuring that all seamen had the qualifications and licenses required to comply with international regulations and shipping conventions, and that the vessels were manned by experienced, competent and trained personnel. DSS was also responsible for ensuring that seafarers' wages and terms of employment conformed to international standards or to general collective bargaining agreements to allow unrestricted worldwide trading of the vessels. Since March 1, 2013, UOT, our new fleet manager, a wholly-owned subsidiary, is responsible for providing similar services to us and the vessels we own.

The following table presents the number of shoreside personnel employed by our manager and the number of seafaring personnel employed by our vessel-owning subsidiaries as of December 31, 2015, 2014 and 2013:

	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
Shoreside	40	32	31
Seafaring	308	266	236
Total	**348**	**298**	**267**

E. Share Ownership

With respect to the total amount of common stock owned by all of our officers and directors individually and as a group, see "Item 7.A- 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 March 18, 2016, for (i) beneficial owners of more than five percent of our common shares 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 common share held.

Beneficial ownership is determined in accordance with SEC rules. In computing percentage ownership of each person, common shares subject to options held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days of the date of this report, are deemed to be beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

As of March 18, 2016, we had 74,890,570 common shares issued and outstanding and the percentage of beneficial ownership below is based on this figure:

Identity of person or group	Shares Beneficially Owned	
	Number	Percentage
Diana Shipping Inc. (1)	19,269,740	25.7%
12 West Capital Management LP (2)	19,287,512	25.8%
Symeon Palios (3)	6,740,725	9.0%
Anastasios Margaronis	1,218,814	1.6%
Ioannis Zafirakis	671,065	*
Andreas Michalopoulos	818,960	1.1%
Non-executive directors	144,738	*
All directors and officers, as a group (4)	9,594,302	12.8%

(1) As at December 31, 2015, 2014, and 2013, Diana Shipping Inc. owned 26.1%, 26.3% and 9.5% of our common stock, respectively.

(2) Based solely on the Schedule 13D/A filed with the SEC on July 2, 2015 by 12 West Capital Management LP, reporting beneficial ownership of these shares through 12 West Capital Fund LP, a Delaware limited partnership, and 12 West Capital Offshore Fund LP, a Cayman Islands exempted limited partnership. The general partner of 12 West Capital Management LP is 12 West Capital Management, LLC, a Delaware limited liability company. Joel Ramin, as the sole member of 12 West Capital Management, LLC, possesses the voting and dispositive power with respect to all securities beneficially owned by 12 West Capital Management LP. The principal business address of 12 West Capital Management LP is 90 Park Avenue, 41st Floor, New York, New York 10016.

(3) Mr. Symeon Palios is our only director and officer that beneficially owns 5% or more of our outstanding common stock. Of these shares, Mr. Palios may be deemed to beneficially own 6,260,909 common shares through Taracan Investments S.A., 154,970 common shares through Corozal Compania Naviera S.A. and 309,941 common shares through Ironwood Trading Corp., companies for which he is the controlling person. As at December 31, 2015, 2014, and 2013, Mr. Palios beneficially owned 8.7%, 8.5% and 5.9%, respectively.

(4) Of the total number of these shares, 2,359,685 were granted pursuant to the Company's 2012 Equity Incentive Plan.

* Less than 1%

As of March 18, 2016, we had 127 shareholders of record, 109 of which were located in the United States and held an aggregate of 52,685,424 of our common shares, representing 70.35% 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 52,468,924 of our common shares as of March 18, 2016. 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.

B. Related Party Transactions

Diana Enterprises Inc.

We had entered into a Broker Services Agreement, dated June 1, 2010, with Diana Enterprises Inc., a related party controlled by our Chief Executive Officer and Chairman of the Board Mr. Symeon Palios, through DSS pursuant to an Administrative Services Agreement by and between the Company and DSS, which was terminated on March 1, 2013. Following the termination agreement for brokerage services that were provided to us through DSS, Diana Enterprises entered on the same date into an agreement with UOT to provide brokerage services for a fixed monthly fee of $120,833. The agreement had an initial term of thirteen months and the fees were payable quarterly in advance. In March 2014, the Broker Services Agreement with Diana Enterprises Inc. was terminated and replaced with a new agreement, according to which, with retroactive effect from January 1, 2014, the duration of the engagement was to be for a term of fifteen months, ending on March 31, 2015. Effective July 1, 2014, the agreement between UOT and Diana Enterprises was terminated and replaced with a new agreement between DCI and Diana Enterprises on substantially similar terms. In July 2014, and in relation with the Private Placement, this agreement was further amended to increase the percentage of beneficial ownership in the Change of Control clause. According to this clause, in the event that Diana Enterprises terminates the agreement within six months following a Change of Control, as defined in the agreement, Diana Enterprises would be entitled to a lump sum payment equal to three years' annual commission. Effective April 1, 2015, the agreement with Diana Enterprises was further renewed until March 31, 2016 for a fixed monthly fee of $121,000 and provides for a lump sum payment equal to five years' annual commission, in case of a Change of Control. Finally, in February 2016, our Board of Directors approved a bimonthly fee, amounting to $242,000, as cash bonus to Diana Enterprises Inc. In 2015, 2014, and 2013, fees for broker services amounted to $1.5 million, $1.5 million, and $1.4 million, respectively.

Diana Shipping Inc.

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

On May 20, 2013, we entered into a loan agreement of up to $50.0 million with Diana Shipping, which was subsequently amended on September 9, 2015. Please see "Item 5.B– Liquidity and Capital Resources–Loan Facilities."

Private Placement

We entered into a Securities Purchase Agreement, dated July 28, 2014, with Diana Shipping and two institutional investors not affiliated with the Company or Diana Shipping (together, the "Unaffiliated Entities"), Taracan Investments S.A., 4 Sweet Dreams S.A., Andreas Michalopoulos, and Ioannis Zafirakis (collectively, the "Purchasers"), pursuant to which we issued and sold to the Purchasers and the Purchasers purchased from the Company in the Private Placement an aggregate of 36,653,386 common shares at a price of $2.51 per share, which reflected the 30-day volume-weighted average price of the Company's common stock over the 30 trading days preceding the date of the Securities Purchase Agreement. The issuance and sale of the shares was approved by an independent committee of our Board of Directors. The Purchasers were also granted customary registration rights pursuant to a registration rights agreement, dated July 28, 2014.

Pursuant to the terms of the Securities Purchase Agreement, Diana Shipping and the Unaffiliated Entities have granted each other a right of first offer in connection with any proposed privately negotiated block sale of our common shares constituting ten percent (10%) or more of the outstanding common stock (other than sales of stock to us and certain other permitted transfers). The Unaffiliated Entities have also agreed that for so long as they collectively own ten percent (10%) or more of the outstanding common stock they will not, without our consent, (i) acquire beneficial ownership of additional shares of our voting stock in excess of the amount of shares owned as of the closing under the Securities Purchase Agreement or (ii) make or otherwise participate in any "solicitation" of "proxies" to vote shares of our common stock, subject to certain exceptions. Additionally, the Unaffiliated Entities have been granted one observer seat at each meeting of our Board of Directors and Audit Committee and certain information rights. The Securities Purchase Agreement also grants the Purchasers certain rights of first refusal over subsequent equity offerings.

Pursuant to the Securities Purchase Agreement, we have agreed that, commencing with the dividend payable with respect to the second quarter of 2014, and for not less than four consecutive fiscal quarters thereafter, we will not declare or pay dividends in excess of $0.01 per share on an annualized basis; provided, however, that in the event of a material improvement in the container shipping market, our board of directors may amend this dividend policy to resume the payment of dividends if the board of directors determines in good faith that such changed dividend policy is in the best interests of the Company and its shareholders.

In connection with the Private Placement, we entered into amendments to the loan dated May 20, 2013 between the Company, Eluk Shipping Inc. and Diana Shipping Inc., and the loan agreement with The Royal Bank of Scotland plc (the "RBS") dated December 16, 2011. We also amended our Stockholders Rights Agreement, dated August 10, 2010, to provide that the Unaffiliated Entities will not be considered an Acquiring Person, as defined therein.

Altair Travel Agency S.A

Effective March 1, 2013, Altair Travel Agency S.A., or Altair, an affiliated entity that is controlled by our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios, provides us with travel related services. In 2015, 2014 and 2013, the expenses we incurred in exchange for travel services provided by Altair, amounted to $1.1 million, $1.0 million and $1.0 million, respectively. We believe that the amounts that we pay to Altair Travel Agency S.A. for acquiring tickets and other travel related services are no greater than fees we would pay to an unrelated third party for comparable services.

C. Interests Of Experts And Counsel

Not applicable.

Item 8. Financial information

A. Consolidated Statements and Other Financial Information

See Item 18.

Legal Proceedings

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

Dividend Policy

We currently intend to declare a variable quarterly dividend each February, May, August and November equal to available cash from operations during the previous quarter after the payment of 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, after taking into account contingent liabilities, the terms of any credit facility, our growth strategy and other cash needs and the requirements of Marshall Islands law. Our board of directors may review and amend our dividend policy from time to time, in light of our plans for future growth and other factors. In 2015 and 2014, we made dividend payments of $0.01 and $0.21 per share, respectively, and in March 2016 we declared a cash dividend of $0.0025 per share with respect to the fourth quarter of 2015.

While we have declared and paid cash dividends on our common shares, there can be no assurance that dividends will be paid in the future. The actual timing and amount of dividend payments, if any, will be determined by our board of directors and could be affected by various factors, including our cash earnings, financial condition and cash requirements, the loss of a vessel, the acquisition of one or more vessels, required capital expenditures, reserves established by our board of directors, increased or unanticipated expenses, a change in our dividend policy, additional borrowings or future issuances of securities, many of which will be beyond our control. 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 and to make dividend payments. In addition, any credit facilities that we may enter into in the future may include restrictions on our ability to pay dividends.

Furthermore, pursuant to the Securities Purchase Agreement entered into on July 28, 2014 in connection with the Private Placement, we agreed that, commencing with the dividend payable with respect to the second quarter of 2014, and until at least the first quarter of 2015, we would not declare or pay dividends in excess of $0.01 per share on an annualized basis; provided, however, that in the event of a material improvement in the container shipping market, our board of directors may amend this dividend policy to resume the payment of dividends if our board of directors determines in good faith that such changed dividend policy is in the best interests of the Company and its shareholders.

Marshall Islands law generally prohibits the payment of dividends other than from surplus, or while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

In addition, we may incur expenses or liabilities, including extraordinary expenses, decreases in revenues, including as a result of unanticipated off-hire days or loss of a vessel, or increased cash needs that could reduce or eliminate the amount of cash that we have available for distribution as dividends. The containership sector is cyclical and volatile. We cannot predict with accuracy the amount of cash flows our operations will generate in any given period. Factors beyond our control may affect the charter market for our vessels and our charterers' ability to satisfy their contractual obligations to us, and we cannot assure you that dividends will actually be declared or paid in the future. We cannot assure you that we will be able to pay regular quarterly dividends, and our ability to pay dividends will be subject to the limitations set forth above and in the section of this annual report titled "Item 3.D—Risk Factors."

In times when we have debt outstanding, we intend to limit our dividends per share to the amount that we would have been able to pay if we were financed entirely with equity. Our board of directors may review and amend our dividend policy from time to time, in light of our plans for future growth and other factors.

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 16—Subsequent Events" of our annual consolidated financial statements.

Item 9. The Offer and Listing

Our common shares have traded on The Nasdaq Global Market under the symbol "DCIX" since January 19, 2011 and on The Nasdaq Global Select Market since January 2, 2013. The table below sets forth the high and low closing prices for each of the periods indicated for the common shares.

Years	Low	High
For the period from January 19 to December 31, 2011	$ 4.58	$ 13.15
Year-ended December 31, 2012	5.22	7.76
Year-ended December 31, 2013	3.51	7.03
Year-ended December 31, 2014	1.85	4.26
Year-ended December 31, 2015	0.69	2.66

Periods	Low	High
1st Quarter ended March 31, 2014	$ 3.81	$ 4.26
2nd Quarter ended June 30, 2014	2.46	3.94
3rd Quarter ended September 30, 2014	2.25	2.85
4th Quarter ended December 31, 2014	1.85	2.36
1st Quarter ended March 31, 2015	$ 1.94	$ 2.66
2nd Quarter ended June 30, 2015	1.97	2.65
3rd Quarter ended September 30, 2015	1.24	2.10
4th Quarter ended December 31, 2015	0.69	1.38

Months	Low	High
September 2015	$ 1.24	$ 1.64
October 2015	1.18	1.38
November 2015	0.95	1.34
December 2015	0.69	0.97
January 2016	0.48	0.80
February 2016	0.36	0.57
March 2016 (through March 18, 2016)	0.37	0.73

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 3.1 to our Form F-4 filed with the SEC on October 15, 2010 with file number 333-169974. The information contained in this exhibit is incorporated by reference herein.

A description of the material terms of our amended and restated articles of incorporation and bylaws is included in the section entitled "Description of Capital Stock" in our Registration Statement on Form F-4 filed with the SEC on October 15, 2010 with file number 333-169974 and is incorporated by reference herein, provided that since the date of that Registration Statement, and up to December 31, 2015, the number of shares of our common stock issued and outstanding has increased to 73,890,581.

C. Material Contracts

The contracts included 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. We refer you to Item 5.B for a discussion of our loan facilities, Item 4.B and Item 7.B for a discussion of our agreements with companies controlled by our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios, and Item 6.B for a discussion of our 2012 Equity Incentive Plan and our 2015 Equity Incentive Plan.

D. Exchange Controls

Under Republic of the Marshall Islands 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

In the opinion of Seward & Kissel LLP, the following are the material Marshall Islands tax consequences of the Company's activities to the Company and of the ownership of the Company's common stock to its shareholders. 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 the Company to its shareholders.

United States Federal Income Tax Considerations

In the opinion of Seward & Kissel LLP, the Company's U.S. counsel, the following are the material U.S. federal income tax consequences to the Company of its activities and to U.S. Holders and Non-U.S Holders, each as defined below, of the common stock. The following discussion of U.S. federal income tax matters is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, all of which are subject to change, possibly with retroactive effect.

Taxation of Operating Income: In General

The following discussion addresses the U.S. federal income taxation of our operating income if we are engaged in the international operation of vessels.

Unless exempt from U.S. federal income taxation under the rules discussed below, a foreign corporation is subject to U.S. federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing arrangements or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as "shipping income," to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States, which we refer to as "U.S.-source shipping income."

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law to engage in transportation that produces income which is considered to be 100% from sources within the United States. 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 any U.S. federal income tax.

Exemption of Operating Income from U.S. Federal Income Taxation

Under Section 883 of the Code, or Section 883, we will be exempt from U.S. federal income taxation on our U.S.-source shipping income if:

- we are organized in a foreign country that grants an "equivalent exemption" to corporations organized in the United States, or U.S. corporations; and

either:

- more than 50% of the value of our common stock is owned, directly or indirectly, by qualified shareholders, which we refer to as the "50% Ownership Test," or

- our common stock is "primarily and regularly traded on an established securities market" in a country that grants an "equivalent exemption" to U.S. corporations or in the United States, which we refer to as the "Publicly-Traded Test."

The Marshall Islands, the jurisdiction where we are incorporated, grant an "equivalent exemption" to U.S. corporations. We anticipate that any of our shipowning subsidiaries will be incorporated in a jurisdiction that provides an "equivalent exemption" to U.S. corporations. Therefore, we will be exempt from U.S. federal income taxation with respect to our U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

We do not currently anticipate a circumstance under which we would be able to satisfy the 50% Ownership Test. Our ability to satisfy the Publicly-Traded Test is discussed below.

Publicly-Traded Test

In order to satisfy the Publicly-Traded Test, our common stock must be primarily and regularly traded on one or more established securities markets. The regulations under Section 883 provide, in pertinent part, that shares of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of shares that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common shares are "primarily traded" on The Nasdaq Global Select Market.

Under the regulations, stock of a foreign corporation will be considered to be "regularly traded" on an established securities market if one or more classes of stock representing more than 50% of the outstanding stock, by both total combined voting power of all classes of shares entitled to vote and total value, are listed on such market, to which we refer as the "listing threshold." Since our common shares are listed on The Nasdaq Global Select Market, we expect to satisfy the listing threshold.

It is further required that with respect to each class of stock relied upon to meet the listing threshold, (i) such class of shares is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year, which we refer to as the trading frequency test; and (ii) the aggregate number of stock of such class of shares traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year, which we refer to as the trading volume test. Even if these tests are not satisfied, the regulations provide that such trading frequency and trading volume tests will be deemed satisfied if, as is expected to be the case with our common shares, such class of stock is traded on an established securities market in the United States and such shares are regularly quoted by dealers making a market in such shares.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of shares 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 share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of stock, to which we refer as the "Five Percent Override Rule."

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of our common stock, or "5% Shareholders," the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the Securities and Exchange Commission, as owning 5% or more of our common stock. The regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the Five Percent Override Rule is triggered, the regulations provide that the Five Percent Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, there are sufficient qualified shareholders for purposes of Section 883 to preclude non-qualified shareholders in such group from owning 50% or more of our common stock for more than half the number of days during the taxable year.

We believe that we satisfied the Publicly-Traded Test for the 2015 taxable year and were not subject to the Five Percent Override Rule and we intend to take that position on our 2015 U.S. federal income tax returns.

Taxation in Absence of Exemption

To the extent the benefits of Section 883 are unavailable, our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, which we refer to as the 4% gross basis tax regime. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being derived from U.S. sources, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 exemption are unavailable and our U.S.-source shipping income is considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the U.S. federal corporate income tax currently imposed at rates of up to 35%. In addition, we may be subject to an additional 30% "branch profits" tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of such U.S. trade or business.

Our U.S.-source shipping income would be considered "effectively connected" with the conduct of a U.S. trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and

- substantially all of our U.S.-source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows 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 bareboat chartering of a vessel, is attributable to a fixed place of business in the United States).

We do not anticipate that we will have any vessel operating to or from 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 do not anticipate that any of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

United States Federal Income Taxation of 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 Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of common stock that is an individual 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.

If a partnership holds the 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 the common stock, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of the passive foreign investment company, or PFIC, rules below, distributions made by us with respect to our common stock, other than certain pro-rata distributions of our 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 our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a nontaxable 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 we are not a United States 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 us. Dividends paid with respect to our common stock will generally be treated as income from sources outside the United States and will generally constitute "passive category income" or, in the case of certain types of U.S. Holders, "general category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate, which we refer to as a U.S. Individual Holder, will generally be treated as "qualified dividend income" that is taxable to such U.S. Individual Holders at preferential tax rates, provided that (1) the common stock is readily tradable on an established securities market in the United States such as the Nasdaq Global Select Market, on which our common stock is traded; (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year, as discussed below; (3) the U.S. Individual Holder has held 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. Individual Holder is not under an obligation to make related 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. Individual Holder. Any distributions out of earnings and profits we pay which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual 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 our 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. A U.S. Holder's tax basis in the common stock generally will equal the U.S. Holder's acquisition cost less any prior return of capital. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition and will generally be treated as U.S.-source income or loss, as applicable, for U.S. foreign tax credit purposes. 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 PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such U.S. Holder held our common stock, either:

at least 75% of our 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), which we refer to as the income test; or

at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income, which we refer to as the asset test.

For purposes of determining whether we are a PFIC, cash will be treated as an asset which is held for the production of passive income. In addition, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Our status as a PFIC will depend upon the operations of our vessels. Therefore, we can give no assurances as to whether we will be a PFIC with respect to any taxable year. In making the determination as to whether we are a PFIC, we intend to treat the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of us or any of our wholly owned subsidiaries as services income, rather than rental income. Correspondingly, in the opinion of Seward & Kissel LLP, such income should not constitute passive income, and the assets that we or our wholly owned subsidiaries own and operate in connection with the production of such income, should not constitute passive assets for purposes of determining whether we are a PFIC. There is substantial legal authority supporting this position consisting of case law and 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. In the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with the opinion of Seward & Kissel LLP. On the other hand, any income we derive from bareboat chartering activities will likely be treated as passive income for purposes of the income test. Likewise, any assets utilized in bareboat chartering activities will likely be treated as generating passive income for purposes of the asset test.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election," or a "mark-to-market" election with respect to the common stock. In addition, if we are a PFIC, a U.S. Holder will be required to file with respect to taxable years ending on or after December 31, 2013 IRS Form 8621 with the IRS.

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

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an "Electing Holder," the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits 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 our common stock. A U.S. Holder would make a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with his U.S. federal income tax return. After the end of each taxable year, we will determine whether we were a PFIC for such taxable year. If we determine or otherwise become aware that we are a PFIC for any taxable year, we will provide each U.S. Holder with all necessary information, including a PFIC Annual Information Statement, in order to allow such holder to make a QEF election for such taxable year.

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

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate will continue to be the case, our shares are treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common stock, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury regulations. 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 their 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 our 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 or Mark-to-Market Election.

Finally, if we were to be treated as a PFIC for any taxable year, a U.S. Holder who has not timely made a QEF or mark-to-market election for the first taxable year in which it holds our common stock and during which we are treated as PFIC, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three 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 our common stock. Under these special rules:

the excess distribution or gain would be allocated ratably to each day over the Non-Electing Holders' aggregate holding period for the common stock;

the amount allocated to the current taxable year and any taxable year before we 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 adverse tax consequences 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 our common stock. In addition, if a Non-Electing Holder who is an individual dies while owning our common stock, such holder's successor generally would not receive a step-up in tax basis with respect to such common stock.

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

A beneficial owner of our common stock, other than a partnership or entity treated as a partnership for U.S. Federal income tax purposes, that is not a U.S. Holder is referred to herein as a Non-U.S. Holder.

Non-U.S. Holders generally will not be subject to U.S. federal income tax 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. In general, if the Non-U.S. Holder is entitled to the benefits of certain U.S. income tax treaties with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Non-U.S. Holders generally will not be subject to U.S. federal income tax 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. In general, if the Non-U.S. Holder is entitled to the benefits of certain income tax treaties with respect to that gain, that gain is taxable only if it is 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 the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock, that is effectively connected with the conduct of that trade or business will generally be subject to regular 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, if you are a corporate Non-U.S. Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional 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 you will be subject to information reporting requirements. Such payments will also be subject to backup withholding tax if you are a non-corporate U.S. Holder and you:

- fail to provide an accurate taxpayer identification number;

- are notified by the IRS that you have failed to report all interest or dividends required to be shown on your U.S. federal income tax returns; or

- in certain circumstances, fail 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 you sell your common stock through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common stock through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common stock through a non-U.S. office of a broker that is a U.S. person or has certain other contacts with the United States, unless you certify that you are a non-U.S. person, under penalty of perjury, or you otherwise establish an exemption.

Backup withholding is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by timely 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 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

Total interest incurred under our loan facilities and related interest rates during 2015, 2014 and 2013 were as follows:

	2015	2014	2013
Interest expense (in millions of USD)	$ 5.8	$ 5.9	$ 4.0
Weighted average interest rate (LIBOR plus margin)	3.65%	3.91%	3.49%
Interest rates range during the year (LIBOR including margin)	3.09% to 5.20%	3.25% to 5.17%	2.94% to 5.18%

An average increase of 1% in 2015 interest rates would have resulted in interest expenses of $7.6 million, instead of $5.8 million, an increase of about 31%.

As of December 31, 2015, we had $144.7 million of principal debt outstanding with RBS and $48.8 million of principal debt outstanding with DSI, and we expect to incur additional debt in the future. 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.

Currency and Exchange Rates

We generate all of our revenues in U.S. dollars, but currently incur approximately half of our operating expenses (around 49% in 2015 and 60% in 2014) and about half of our general and administrative expenses (around 50% in 2015 and 51% in 2014) in currencies other than the U.S. dollar, primarily the Euro. For accounting purposes, expenses incurred in Euros are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. The amount and frequency of some of these expenses, such as vessel repairs, supplies and stores, may fluctuate from period to period. Since approximately 2002, the U.S. dollar has depreciated against the Euro. Depreciation in the value of the dollar relative to other currencies increases the dollar cost to us of paying such expenses. The portion of our expenses incurred in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations.

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

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this 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, 2015 is effective.

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

c) Attestation Report of Independent Registered Public Accounting Firm

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

d) Changes in Internal Control over Financial Reporting

None.

Inherent Limitations on Effectiveness of Controls

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

Item 16A. Audit Committee Financial Expert

Mr. John Evangelou serves as the Chairman of the Company's Audit Committee. Our board of directors has determined that Mr. Evangelou qualifies as an "audit committee financial expert" and is "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.dcontainerships.com, under "About Us—Code of Ethics." Copies of our Code of Ethics are available in print, free of charge, upon request to Diana Containerships Inc., Pendelis 18, 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 2015 amounted to Euro 199,500 or about $220,000 and in 2014 amounted to Euro 198,750 or about $271,000 and relate to audit services provided in connection with the audit and AU 722 interim reviews of our consolidated financial statements, the audit of internal control over financial reporting as well as audit services performed in connection with the Company's registration statements.

b) Audit-Related Fees

None.

c) Tax Fees

None.

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 all 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

Not applicable.

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

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

We have certified to Nasdaq that our corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. Therefore, we are exempt from many of Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification to Nasdaq of non-compliance with Nasdaq corporate governance practices, prohibition on disparate reduction or restriction of shareholder voting rights, and the establishment of an audit committee satisfying Nasdaq Listing Rule 5605(c)(3) and ensuring that such audit committee's members meet the independence requirement of Listing Rule 5605(c)(2)(A)(ii). The practices we follow in lieu of Nasdaq's corporate governance rules applicable to U.S. domestic issuers are as follows:

- As a foreign private issuer, we are not required to have an audit committee comprised of at least three members. Our audit committee is comprised of two members;
- As a foreign private issuer, we are not required to adopt a formal written charter or board resolution addressing the nominations process. We do not have a nominations committee, nor have we adopted a board resolution addressing the nominations process;
- As a foreign private issuer, we are not required to hold regularly scheduled board meetings at which only independent directors are present;
- In lieu of obtaining shareholder approval prior to the issuance of designated securities, we will comply with provisions of the Marshall Islands Business Corporations Act, which allows the Board of Directors to approve share issuances;
- As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law and as provided in our bylaws, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that shareholders must give us between 150 and 180 days advance notice to properly introduce any business at a meeting of shareholders.

Other than as noted above, we are in compliance with all other Nasdaq corporate governance standards applicable to U.S. domestic issuers.

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

a) Exhibits

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of the Company (1)
1.2	Amended and Restated Bylaws of the Company (2)
2.1	Form of Share Certificate (3)
2.2	Statement of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Diana Containerships Inc., dated August 2, 2010 (4)
4.1	Registration Rights Agreement dated April 6, 2010 (5)
4.2	Stockholders Rights Agreement dated August 2, 2010 (6)
4.3	Amendment No. 1 to Stockholders Rights Agreement dated August 2, 2010 by and between the Company and Computershare Inc., dated July 28, 2014 (7)
4.4	2012 Amended and Restated Equity Incentive Plan (8)
4.5	2015 Equity Incentive Plan
4.6	Administrative Services Agreement with UOT (9)
4.7	Broker Services Agreement, dated April 9, 2014, by and between the Company and Diana Enterprises Inc. (10)
4.8	Amendment to Broker Services Agreement, dated April 9, 2014, by and between the Company and Diana Enterprises Inc., dated July 28, 2014 (11)
4.9	Broker Services Agreement, dated April 1, 2015, by and between the Company and Diana Enterprises Inc.
4.10	Form of Vessel Management Agreement with UOT (12)
4.11	Amended and Restated Non-Competition Agreement with Diana Shipping Inc. (13)
4.12	Loan Agreement, dated May 20, 2013, by and between Eluk Shipping Company Inc. and Diana Shipping Inc. (14)
4.13	First Amendment to Loan Agreement dated May 20, 2013 among Diana Shipping Inc., Eluk Shipping Company Inc. and the Company, dated July 28, 2014 (15)
4.14	Second Amendment to Loan Agreement dated May 20, 2013 among Diana Shipping Inc., Eluk Shipping Company Inc. and the Company, dated September 9, 2015
4.15	Memorandum of Agreement for *m/v Maersk Madrid* (16)
4.16	Addendum No. 1 to the Memorandum of Agreement for *m/v Maersk Madrid* (17)
4.17	Memorandum of Agreement for *m/v Maersk Malacca* (18)
4.18	Memorandum of Agreement for *m/v Maersk Merlion* (19)
4.19	Memorandum of Agreement for *m/v Cap San Raphael* (20)

4.20	Memorandum of Agreement for *m/v Cap San Marco* (21)
4.21	Memorandum of Agreement for *m/v APL Sardonyx* (22)
4.22	Memorandum of Agreement for *m/v APL Spinel* (23)
4.23	Memorandum of Agreement for *m/v APL Garnet* (24)
4.24	Memorandum of Agreement for *m/v Hanjin Malta* (25)
4.25	Memorandum of Agreement for *m/v Puelo* (26)
4.26	Memorandum of Agreement for *m/v Pucon* (27)
4.27	Registration Rights Agreement dated June 15, 2011(28)
4.28	Share Purchase Agreement dated June 9, 2011(29)
4.29	Securities Purchase Agreement, dated July 28, 2014 (30)
4.30	Registration Rights Agreement, dated July 28, 2014 (31)
4.31	Loan Agreement with Royal Bank of Scotland plc, dated September 10, 2015
8.1	List of Subsidiaries
12.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
12.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
13.1	Certification of Chief 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 Chief 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 financial information from Diana Containerships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, formatted in Extensible Business Reporting Language (XBRL): (1) Consolidated Balance Sheets as at December 31, 2015 and 2014; (2) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013; (3) Consolidated Statements of Comprehensive Income / (Loss) for the years ended December 31, 2015, 2014 and 2013; (4) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013; (5) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013; and (6) Notes to Consolidated Financial Statements.

(1) Filed as Exhibit 3.1 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.
(2) Filed as Exhibit 3.2 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.
(3) Filed as Exhibit 4.1 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.
(4) Filed as Exhibit 4.4 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.
(5) Filed as Exhibit 4.2 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.
(6) Filed as Exhibit 4.3 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.
(7) Filed as Exhibit 99.3 to the Company's Current Report on Form 6-K on July 30, 2014.
(8) Filed as Exhibit 4.4 to the Company's Annual Report on Form 20-F on February 23, 2012.
(9) Filed as Exhibit 4.8 to the Company's Annual Report on Form 20-F on March 26, 2014.
(10) Filed as Exhibit 99.6 to the Company's Current Report on Form 6-K on July 30, 2014.
(11) Filed as Exhibit 99.7 to the Company's Current Report on Form 6-K on July 30, 2014.
(12) Filed as Exhibit 4.11 to the Company's Annual Report on Form 20-F on March 26, 2014.
(13) Filed as Exhibit 4.12 to the Company's Annual Report on Form 20-F on March 26, 2014.
(14) Filed as Exhibit 4.20 to the Company's Annual Report on Form 20-F on March 26, 2014.
(15) Filed as Exhibit 99.5 to the Company's Current Report on Form 6-K on July 30, 2014.
(16) Filed as Exhibit 10.8 to the Company's Registration Statement on Form F-1 on May 9, 2011.
(17) Filed as Exhibit 10.9 to the Company's Registration Statement on Form F-1 on May 9, 2011.
(18) Filed as Exhibit 10.10 to the Company's Registration Statement on Form F-1 on May 9, 2011.
(19) Filed as Exhibit 10.11 to the Company's Registration Statement on Form F-1 on May 9, 2011.
(20) Filed as Exhibit 4.16 to the Company's Annual Report on Form 20-F on February 23, 2012.
(21) Filed as Exhibit 4.17 to the Company's Annual Report on Form 20-F on February 23, 2012.
(22) Filed as Exhibit 4.18 to the Company's Annual Report on Form 20-F on February 23, 2012.
(23) Filed as Exhibit 4.19 to the Company's Annual Report on Form 20-F on February 23, 2012.
(24) Filed as Exhibit 4.20 to the Company's Annual Report on Form 20-F on February 20, 2013.
(25) Filed as Exhibit 4.21 to the Company's Annual Report on Form 20-F on February 20, 2013.
(26) Filed as Exhibit 4.30 to the Company's Annual Report on Form 20-F on March 26, 2014.
(27) Filed as Exhibit 4.31 to the Company's Annual Report on Form 20-F on March 26, 2014.
(28) Filed as Exhibit 4.14 to the Company's Annual Report on Form 20-F on June 28, 2011.
(29) Filed as Exhibit 4.15 to the Company's Annual Report on Form 20-F on June 28, 2011.
(30) Filed as Exhibit 99.1 to the Company's Current Report on Form 6-K on July 30, 2014.
(31) Filed as Exhibit 99.2 to the Company's Current Report on Form 6-K on July 30, 2014.

SIGNATURES

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

DIANA CONTAINERSHIPS INC.

By: /s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Financial Officer and Treasurer

Dated: March 21, 2016

DIANA CONTAINERSHIPS INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Diana Containerships Inc.

We have audited the accompanying consolidated balance sheets of Diana Containerships Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income/ (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015. 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 Containerships Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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 Containerships Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 21, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Athens, Greece
March 21, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Diana Containerships Inc.

We have audited Diana Containerships Inc.'s internal control over financial reporting as of December 31, 2015, 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 Containerships 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 Containerships Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, 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 Containerships Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income/ (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015 of Diana Containerships Inc. and our report dated March 21, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Athens, Greece
March 21, 2016

DIANA CONTAINERSHIPS INC.
Consolidated Balance Sheets as at December 31, 2015 and 2014
(Expressed in thousands of U.S. Dollars, except for share and per share data)

ASSETS	**2015**	**2014**
CURRENT ASSETS:		
Cash and cash equivalents	$ 29,388	$ 82,003
Accounts receivable, trade	753	691
Inventories	3,704	2,307
Prepaid expenses and other assets	1,069	845
Restricted cash, current	-	600
Total current assets	34,914	86,446
FIXED ASSETS:		
Vessels (Note 4)	421,903	333,078
Accumulated depreciation (Note 4)	(37,354)	(26,984)
Vessels' net book value (Note 4)	384,549	306,094
Property and equipment, net (Note 5)	987	1,089
Total fixed assets	385,536	307,183
Deferred charges, net	2,475	-
Restricted cash, non-current (Note 7)	9,000	9,270
Prepaid charter revenue (Note 6)	3,798	6,364
Total assets	$ 435,723	$ 409,263
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term bank debt, net of unamortized deferred financing costs (Note 7)	$ 14,897	$ 5,804
Related party financing, current (Note 3)	5,000	-
Accounts payable, trade and other	2,707	1,807
Due to related parties, current (Note 3)	105	136
Accrued liabilities	1,341	1,052
Deferred revenue, current (Note 8)	647	491
Total current liabilities	24,697	9,290
Long-term portion of bank debt, net of unamortized deferred financing costs (Note 7)	127,781	92,494
Related party financing, non-current (Note 3)	43,950	50,867
Other liabilities, non-current	121	169
Commitments and contingencies (Note 9)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 25,000,000 shares authorized, none issued	-	-
Common stock, $0.01 par value; 500,000,000 shares authorized; 73,890,581 and 73,158,991 issued and outstanding as at December 31, 2015 and 2014, respectively (Note 10)	739	731
Additional paid-in capital (Note 10)	373,117	372,197
Other comprehensive income / (loss)	5	(68)
Accumulated deficit	(134,687)	(116,417)
Total stockholders' equity	239,174	256,443
Total liabilities and stockholders' equity	$ 435,723	$ 409,263

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

DIANA CONTAINERSHIPS INC.
Consolidated Statements of Operations
For the years ended December 31, 2015, 2014 and 2013
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2015	2014	2013
REVENUES:			
Time charter revenues (Note 1)	$ 70,746	$ 65,678	$ 74,337
Prepaid charter revenue amortization (Note 6)	(8,566)	(11,610)	(20,322)
Time charter revenues, net	62,180	54,068	54,015
EXPENSES:			
Voyage expenses (Note 11)	2,619	332	705
Vessel operating expenses (Note 11)	35,847	26,559	30,870
Depreciation and amortization of deferred charges (Note 4)	13,140	10,309	11,070
Management fees	-	-	305
General and administrative expenses (Note 3)	6,194	6,306	5,059
Impairment losses (Note 4)	6,607	-	42,323
Loss on vessels' sale (Note 4)	8,300	695	16,481
Foreign currency losses / (gains)	(55)	17	66
Operating income / (loss)	$ (10,472)	$ 9,850	$ (52,864)
OTHER INCOME/(EXPENSES)			
Interest and finance costs (Notes 3, 7 and 12)	$ (7,166)	$ (6,746)	$ (4,554)
Interest income	107	134	72
Total other expenses, net	$ (7,059)	$ (6,612)	$ (4,482)
Net income / (loss)	$ (17,531)	$ 3,238	$ (57,346)
Earnings/ (loss) per common share, basic and diluted (Note 13)	$ (0.24)	$ 0.06	$ (1.73)
Weighted average number of common shares, basic and diluted (Note 13)	72,876,441	51,645,071	33,159,328

DIANA CONTAINERSHIPS INC.
Consolidated Statements of Comprehensive Income / (Loss)
For the years ended December 31, 2015, 2014 and 2013
(Expressed in thousands of U.S. Dollars)

	2015	2014	2013
Net income / (loss)	$ (17,531)	$ 3,238	$ (57,346)
Other comprehensive income / (loss) (Actuarial gain / (loss))	73	(68)	-
Comprehensive income / (loss)	$ (17,458)	$ 3,170	$ (57,346)

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

DIANA CONTAINERSHIPS INC.
Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2015, 2014 and 2013
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	Common Stock		Additional Paid-in Capital	Other Comprehensive Income / (Loss)	Accumulated Deficit	Total
	# of Shares	Par Value				
Balance, December 31, 2012	32,191,964	$ 322	$ 263,537	$ -	$ (25,101)	$ 238,758
- Net loss	-	-	-	-	(57,346)	(57,346)
- Issuance of common stock, net of issuance costs	2,859,603	28	12,328	-	-	12,356
- Compensation cost on restricted stock (Note 10)	-	-	371	-	-	371
- Dividends declared and paid (at $0.30, $0.30, $0.15 and $0.15 per share) (Note 13)	-	-	-	-	(29,674)	(29,674)
Balance, December 31, 2013	35,051,567	$ 350	$ 276,236	$ -	$ (112,121)	$ 164,465
- Net income	-	-	-	-	3,238	3,238
- Issuance of common stock, net of issuance costs	37,745,982	377	95,624	-	-	96,001
- Issuance of restricted stock and compensation cost on restricted stock (Note 10)	361,442	4	337	-	-	341
- Actuarial loss	-	-	-	(68)	-	(68)
- Dividends declared and paid (at $0.15, $0.05, $0.0025 and $0.0025 per share) (Note 13)	-	-	-	-	(7,534)	(7,534)
Balance, December 31, 2014	73,158,991	$ 731	$ 372,197	$ (68)	$ (116,417)	$ 256,443
- Net loss	-	-	-	-	(17,531)	(17,531)
- Issuance of restricted stock and compensation cost on restricted stock (Note 10)	731,590	8	920	-	-	928
- Actuarial gain	-	-	-	73	-	73
- Dividends declared and paid (at $0.0025, $0.0025, $0.0025 and $0.0025 per share) (Note 13)	-	-	-	-	(739)	(739)
Balance, December 31, 2015	73,890,581	$ 739	$ 373,117	$ 5	$ (134,687)	$ 239,174

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

DIANA CONTAINERSHIPS INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2015, 2014 and 2013
(Expressed in thousands of U.S. Dollars)

	2015	2014	2013
Cash Flows provided by Operating Activities:			
Net income / (loss)	$ (17,531)	$ 3,238	$ (57,346)
Adjustments to reconcile net income/ (loss) to net cash provided by operating activities:			
Depreciation and amortization of deferred charges (Note 4)	13,140	10,309	11,070
Amortization of deferred financing costs (Note 12)	268	196	197
Amortization of deferred revenue (Note 8)	(50)	(221)	(107)
Amortization of prepaid charter revenue (Note 6)	8,566	11,610	20,322
Impairment losses (Note 4)	6,607	-	42,323
Loss on vessels' sale (Note 4)	8,300	695	16,481
Compensation cost on restricted stock awards (Note 10)	928	341	371
Actuarial gain / (loss)	73	(68)	-
(Increase) / Decrease in:			
Accounts receivable, trade	(62)	(157)	(319)
Inventories	(1,397)	(343)	1,242
Prepaid expenses and other assets	(487)	(714)	(362)
Increase / (Decrease) in:			
Accounts payable, trade and other	900	68	(933)
Due to related parties	604	600	(254)
Accrued liabilities	289	154	(619)
Deferred revenue	206	(310)	(406)
Other liabilities	(48)	89	80
Drydock costs	(2,861)	-	-
Net Cash provided by Operating Activities	$ 17,445	$ 25,487	$ 31,740
Cash Flows used in Investing Activities:			
Vessel acquisitions and other vessel costs (Note 4)	(113,020)	(60,379)	(107,864)
Proceeds from sale of vessels, net of expenses	7,045	8,784	33,665
Acquisition of time charter (Note 6)	(6,000)	-	(8,500)
Land acquisition (Note 5)	-	(871)	-
Property and equipment additions	(39)	(29)	(421)
Insurance settlements	263	859	1,457
Net Cash used in Investing Activities	$ (111,751)	$ (51,636)	$ (81,663)
Cash Flows provided by Financing Activities:			
Proceeds from long term debt from a related party (Note 3)	-	-	50,000
Proceeds from long term bank debt (Note 7)	148,000	-	6,000
Repayments / prepayments of long term debt (Note 7)	(103,263)	-	-
Issuance of common stock, net of issuance costs	-	96,001	12,356
Payments of financing costs (Notes 3 and 7)	(3,177)	-	-
Cash dividends (Note 13)	(739)	(7,534)	(29,674)
Changes in restricted cash	870	-	(600)
Net Cash provided by Financing Activities	$ 41,691	$ 88,467	$ 38,082
Net increase/ (decrease) in cash and cash equivalents	$ (52,615)	$ 62,318	$ (11,841)
Cash and cash equivalents at beginning of period	$ 82,003	$ 19,685	$ 31,526
Cash and cash equivalents at end of period	$ 29,388	$ 82,003	$ 19,685
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for Interest payments, net of amounts capitalized	$ 5,571	$ 6,106	$ 3,783

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

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

1. General Information

The accompanying consolidated financial statements include the accounts of Diana Containerships Inc. ("DCI") and its wholly-owned subsidiaries (collectively, the "Company"). Diana Containerships Inc. was incorporated on January 7, 2010 under the laws of the Republic of Marshall Islands for the purpose of engaging in any lawful act or activity under the Marshall Islands Business Corporations Act.

The Company is engaged in the seaborne transportation industry through the ownership of containerships and operates its fleet through Unitized Ocean Transport Limited, a wholly-owned subsidiary. As at December 31, 2015, the Company was the sole owner of all outstanding shares of the following subsidiaries:

a/a	Company	Place of Incorporation	Vessel	Flag	TEU	Date built	Date acquired	Date sold
	Vessel Owning Subsidiaries - Panamax Vessels							
1	Likiep Shipping Company Inc.	Marshall Islands	Sagitta	Marshall Islands	3,426	Jun-10	Jun-10	-
2	Orangina Inc.	Marshall Islands	Centaurus	Marshall Islands	3,426	Jul-10	Jul-10	-
3	Rongerik Shipping Company Inc.	Marshall Islands	Cap Domingo	Marshall Islands	3,739	Mar-01	Feb-12	-
4	Utirik Shipping Company Inc.	Marshall Islands	Cap Doukato	Marshall Islands	3,739	Feb-02	Feb-12	-
5	Dud Shipping Company Inc.	Marshall Islands	Pamina (ex Santa Pamina)	Marshall Islands	5,042	May-05	Nov-14	-
6	Kapa Shipping Company Inc. (Note 4)	Marshall Islands	YM Los Angeles	Marshall Islands	4,923	Dec-06	Apr-15	-
7	Mago Shipping Company Inc. (Note 4)	Marshall Islands	YM New Jersey	Marshall Islands	4,923	Nov-06	Apr-15	-
	Vessel Owning Subsidiaries - Post-Panamax Vessels							
8	Eluk Shipping Company Inc.	Marshall Islands	Puelo	Marshall Islands	6,541	Nov-06	Aug-13	-
9	Oruk Shipping Company Inc.	Marshall Islands	Pucon	Marshall Islands	6,541	Aug-06	Sep-13	-
10	Delap Shipping Company Inc.	Marshall Islands	March (ex YM March)	Marshall Islands	5,576	May-04	Sep-14	-
11	Jabor Shipping Company Inc.	Marshall Islands	Great (ex YM Great)	Marshall Islands	5,576	Apr-04	Oct-14	-
12	Meck Shipping Company Inc. (Note 4)	Marshall Islands	Rotterdam	Marshall Islands	6,494	Jul-08	Sep-15	-
13	Langor Shipping Company Inc. (Note 4)	Marshall Islands	Hamburg	Marshall Islands	6,494	Mar-09	Nov-15	-
	Vessel Owning Subsidiaries - Sold Vessels							
14	Lemongina Inc. (Note 4)	Marshall Islands	Garnet (ex Apl Garnet)	Marshall Islands	4,729	Aug-95	Nov-12	Sep-15
15	Nauru Shipping Company Inc. (Notes 4 and 16)	Marshall Islands	Hanjin Malta	Marshall Islands	4,024	Jan-93	Mar-13	Feb-16
	Other Subsidiaries							
16	Unitized Ocean Transport Limited	Marshall Islands	Management company	-		-	-	-
17	Container Carriers (USA) LLC	Delaware - USA	Company's US representative	-		-	-	-

Until September 2015, the Company was also the sole owner of all outstanding shares of the companies Ralik Shipping Company Inc., Mili Shipping Company Inc., Ebon Shipping Company Inc., Mejit Shipping Company Inc. and Micronesia Shipping Company Inc., owners of the vessels Madrid, Malacca, Merlion, Sardonyx and Spinel, respectively, which were sold from April 2013 to February 2014. Following the disposal of the vessels, the ship-owning companies were dissolved in September 2015 and accordingly, they are no longer consolidated in the financial statements of the Company.

Unitized Ocean Transport Limited (the "Manager" or "UOT"), was established for the purpose of providing the Company and its vessels with management and administrative services, effective March 1, 2013. Pursuant to the management agreements, UOT receives a fixed commission of 2% on the gross charter hire and freight earned by each vessel plus a technical management fee of $15 per vessel per month for employed vessels and $8 per vessel per month for laid-up vessels, if any. In addition, pursuant to the administrative agreement, UOT receives a fixed monthly fee of $10. The management and administrative fees payable to UOT are eliminated in consolidation as intercompany transactions.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

Container Carriers (USA) LLC ("Container Carriers"), was established in July 2014 in the State of Delaware, USA, to act as the Company's authorized representative in the United States.

During 2015, 2014 and 2013, charterers that accounted for more than 10% of the Company's hire revenues were as follows:

Charterer	2015	2014	2013
A	25%	-	-
B	10%	25%	23%
C	24%	31%	-
D	11%	-	16%
E	-	17%	38%
F	13%	14%	10%

2. Significant Accounting Policies and Recent Accounting Pronouncements

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

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

(c) Other Comprehensive Income / (loss): The Company follows the provisions of Accounting Standard Codification (ASC) 220, "Comprehensive Income", which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity. The Company presents Other Comprehensive Income / (Loss) in a separate statement according to ASU 2011-05.

(d) Foreign Currency Translation: The functional currency of the Company is the U.S. Dollar because the Company operates its vessels in international shipping markets, and therefore, primarily transacts business in U.S. Dollars. The Company's accounting records are maintained in U.S. Dollars. Transactions involving other currencies during the years presented 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 period-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.

(f) Restricted Cash: Restricted cash includes minimum cash deposits required to be maintained under the Company's borrowing arrangements.

(g) Accounts Receivable, Trade: The account includes receivables from charterers for hire, freight and demurrage billings. 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 has been made as of December 31, 2015 and 2014.

(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 the vessel operates under freight charter or when on the balance sheet date a vessel has been redelivered by her previous charterers and has not yet been delivered to new charterers, or remains idle. Bunkers are also stated at the lower of cost or market and cost is determined by the first in, first out method.

(i) Prepaid/Deferred Charter Revenue: The Company records identified assets or liabilities associated with the acquisition of a vessel at their relative fair value, determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. In determining the relative fair value, when the present value of the contractual cash flows of the time charter assumed is different than its current fair value, the difference, capped to the excess between the acquisition cost and the vessel's fair value on a charter free basis, is recorded as prepaid charter revenue or as deferred revenue, respectively. Such assets and liabilities, respectively, are amortized as a reduction of, or an increase in, revenue over the period of the time charter assumed.

(j) Property and Equipment: The Company acquired in December 2014 a plot of land, described in Note 5. Land is presented at its fair value on the date of acquisition and it is not subject to depreciation, but it qualifies to be reviewed for impairment. Equipment consists of office furniture and equipment and computer software and hardware. The useful life of the office furniture and equipment is 5 years and the computer software and hardware is 3 years. Depreciation is calculated on a straight-line basis.

(k) Vessel Cost: Vessels are stated at cost which consists of the contract price and costs incurred upon acquisition or delivery of a vessel from a shipyard. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earnings capacity or improve the efficiency or safety of the vessels; otherwise these amounts are charged to expense as incurred.

(l) Vessel Depreciation: The Company depreciates containership vessels on a straight-line basis over their estimated useful lives, after considering the estimated salvage value. Each vessel's salvage value is the product of her light-weight tonnage and estimated scrap rate, which is estimated at $0.35 per light-weight ton for all vessels in the fleet. Management estimates the useful life of the Company's vessels to be 30 years from the date of initial delivery from the shipyard. Second-hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations 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.

(m) Impairment of Long-Lived Assets: The Company follows ASC 360-10-40 "Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company reviews vessels for impairment whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. When the estimate of future undiscounted net operating cash flows, excluding interest charges, expected to be generated by the use of the vessel over her remaining useful life and her eventual disposition is less than her carrying amount, the Company evaluates the vessel for impairment loss. Measurement of the impairment loss is based on the fair value of the vessel. The fair value of the vessel is determined based on management estimates and assumptions and by making use of available market data and third party valuations. The Company evaluates the carrying amounts and periods over which vessels are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. The current conditions in the containerships market with decreased charter rates and decreased vessel market values are conditions that the Company considers indicators of a potential impairment. In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessels' operating expenses, vessels' residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations.

The Company determines undiscounted projected net operating cash flows for each vessel and compares it to the vessel's carrying value. The projected net operating cash flows are determined by considering the historical and estimated vessels' performance and utilization, the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days (based, to the extent applicable, on the most recent 10 year average historical 6-12 months time charter rates available for each type of vessel, considering also current market rates) over the remaining estimated life of each vessel, net of commissions, expected outflows for scheduled vessels' maintenance and vessel operating expenses assuming an average annual inflation rate of 3%. Effective fleet utilization is assumed to 98% in the Company's exercise, taking into account the period(s) each vessel is expected to undergo her scheduled maintenance (dry docking and special surveys), as well as an estimate of 1% off hire days each year, assumptions in line with the Company's historical performance. The review of the vessel's carrying amounts in connection with the estimated recoverable amounts for the year ended December 31, 2014 did not result in an indication of impairment, while in 2015 and 2013, the above mentioned review indicated for certain of the Company's vessels impairment charges, which are separately reflected in the accompanying consolidated statements of operations (Note 4).

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

(o) Accounting for Revenues and Expenses: Revenues are generated from time charter agreements. Time charter agreements with the same charterer are accounted for as separate agreements according to the terms and conditions of each agreement. Time-charter revenues are recorded over the term of the charter as service is provided. Revenues from time charter agreements providing for varying annual rates over their term are accounted for on a straight line basis. Income representing ballast bonus payments, in connection with the repositioning of a vessel by the charterer to the vessel owner, are recognized in the period earned. Deferred revenue, if any, includes cash received prior to the balance sheet date for which all criteria for recognition as revenue would not be met, including any deferred revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis.

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

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

(q) Segmental Reporting: The Company has determined that it operates under one reportable segment, relating to its operations of the container 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.

(r) Accounting for Dry-Docking Costs: The Company follows the deferral method of accounting for dry-docking costs whereby actual costs incurred are deferred and amortized on a straight-line basis over the period through the date the next dry-docking will be 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. The unamortized dry-docking cost is reflected in Deferred Charges, net, in the accompanying consolidated balance sheets.

(s) Financing Costs: Fees paid to lenders for obtaining new loans or refinancing existing ones are deferred and recorded as a contra to debt. Other fees paid for obtaining loan facilities not used at the balance sheet date are capitalized as deferred financing costs. Fees are amortized to interest and finance costs over the life of the related debt using the effective interest method and, for the fees relating to loan facilities not used at the balance sheet date, according to the loan 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.

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

(u) Share Based Payment: ASC 718 "Compensation – Stock Compensation", requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met. The Company initially measures the cost of employee services received in exchange for an award or liability instrument based on its current fair value; the fair value of that award or liability instrument is remeasured 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 is 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) Variable Interest Entities: ASC 810-10-50 "Consolidation of Variable Interest Entities", addresses the consolidation of business enterprises (variable interest entities) to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. The guidance focuses on financial interests that indicate control. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. Variable interests are rights and obligations that convey economic gains or losses from changes in the value of the variable interest entity's assets and liabilities. 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. The Company's evaluation did not result in an identification of variable interest entities as of December 31, 2015 and 2014.

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

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

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

Recent Accounting Pronouncements

(a) The Financial Accounting Standards Board ("FASB" or the "Board") and the International Accounting Standards Board (IASB) (collectively, the Boards) jointly issued a standard that will supersede virtually all of the existing revenue recognition guidance in U.S. GAAP and International Financial Reporting Standards, or IFRS, and is effective for annual periods beginning on or after December 15, 2016. The standard establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is in the process of assessing the impact of the new standard on Company's financial position and performance. In August 2015, the Board issued ASU 2015-14-Revenue From Contracts With Customers that defers the effective period to annual reporting periods beginning after December 15, 2017.

(b) In August 2014, the FASB issued Accounting Standards Update ("ASU" or "Update") No. 2014-15 – Presentation of Financial Statements - Going Concern. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 requires an entity's management to evaluate at each reporting period based on the relevant conditions and events that are known at the date of financial statements are issued, whether there are conditions or events, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to disclose the necessary information. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Management does not expect the adoption of this ASU to have a material impact on Company's results of operations, financial position or cash flows.

(c) In February 2015, the FASB issued the ASU 2015-02, "Consolidation (Topic 810)—Amendments to the Consolidation Analysis", which amends the criteria for determining which entities are considered VIEs, amends the criteria for determining if a service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. The ASU is effective for interim and annual periods beginning after December 15, 2015. Early application is permitted. Management does not expect the adoption of this ASU to have a material impact on Company's results of operations, financial position or cash flows.

(d) 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. Management does not expect the adoption of this ASU to have a material impact on Company's results of operations, financial position or cash flows.

(e) 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. Management 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.

3. Transactions with Related Parties

a) Altair Travel Agency S.A ("Altair"): Effective March 1, 2013 the Company uses the services of an affiliated travel agent, Altair, which is controlled by the Company's CEO and Chairman. Travel expenses payable to Altair for the years ended December 31, 2015, 2014 and 2013, were $1,120, $1,007 and $971 respectively, and are included in Vessels and other vessels' costs, in Operating expenses, in General and administrative expenses and in Loss on vessel's sale in the accompanying consolidated financial statements. As at December 31, 2015 and 2014, an amount of $17 and $79, respectively, was payable to Altair and is included in Due to related parties, current in the accompanying consolidated balance sheets**.**

b) Diana Enterprises Inc. ("Diana Enterprises" or "DEI"): Diana Enterprises is a company controlled by the Company's CEO and Chairman and has entered into an agreement with DCI to provide brokerage services for a monthly fee of $121 until March 31, 2015, payable quarterly in advance. The agreement was renewed on April 1, 2015 for a further twelve months, with substantially similar fees and payment terms to the former agreement. For the years ended December 31, 2015, 2014 and 2013, total brokerage fees, amounted to $1,451, $1,450 and $1,425 respectively, and are included in General and administrative expenses in the accompanying consolidated statements of operations. As at December 31, 2015 and 2014, there was no amount due from or due to Diana Enterprises.

c) Diana Shipping Inc. ("DSI"): On May 20, 2013, the Company, through its subsidiary Eluk Shipping Company Inc., entered into an unsecured loan agreement of up to $50,000 with Diana Shipping Inc., one of the Company's major shareholders, to be used to fund vessel acquisitions and for general corporate purposes. The loan is guaranteed by the Company and, until the amendment discussed below, it bore interest at a rate of LIBOR plus a margin of 5.0% per annum and a fee of 1.25% per annum ("back-end fee") on any amounts repaid upon any repayment or voluntary prepayment dates. In August 2013, the full amount was drawn down under the loan agreement which was repayable on August 20, 2017.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

On September 9, 2015, and in relation with the RBS refinance discussed in Note 7, the loan agreement with DSI was amended. The new loan agreement is extended until March 15, 2022, provides for annual repayments of $5,000, plus a balloon instalment at the final maturity date, and bears interest at LIBOR plus margin of 3.0% per annum. The Company also agreed to pay at the date of the amendment the accumulated back-end fee, amounting to $1,302, and that no additional back-end fee will be charged thereafter. Furthermore, the Company agreed that it will pay at the final maturity date a flat fee of $200.

For 2015, 2014 and 2013, interest and back-end fee expense incurred under the loan agreement with DSI amounted to $2,745, $3,247 and $1,195, respectively, and is included in Interest and finance costs in the accompanying consolidated statements of operations. As at December 31, 2015, the flat fee of $200 is included in Related party financing, non-current, in the accompanying consolidated balance sheets and in Interest and finance costs in the accompanying consolidated statements of operations. Accrued interest as of December 31, 2015 and 2014 amounted to $103 and $57, respectively, and is included in Due to related parties, current, while accrued back-end fee as of December 31, 2014 amounted to $867, and is included in Related party financing, non-current, in the accompanying consolidated balance sheets.

As of December 31, 2015, the repayment schedule of the loan is as follows:

Period	Principal Repayment
January 1, 2016 to December 31, 2016	$ 5,000
January 1, 2017 to December 31, 2017	5,000
January 1, 2018 to December 31, 2018	5,000
January 1, 2019 to December 31, 2019	5,000
January 1, 2020 to December 31, 2020	5,000
January 1, 2021 and thereafter	23,750
Total	$ 48,750

4. Vessels

During 2014, the Company, through its subsidiaries Delap Shipping Company Inc., Jabor Shipping Company Inc. and Dud Shipping Company Inc., acquired from unaffiliated third parties the vessels "March", "Great" and "Pamina", respectively, for an aggregate purchase price of $60,300. An amount of $348 was deducted from the purchase price of the vessels, representing lumpsum compensations agreed with the sellers. In 2015, the Company, through its subsidiaries Kapa Shipping Company Inc. and Mago Shipping Company Inc., entered into two memoranda of agreement with unrelated parties, to acquire the container vessels "YM Los Angeles" and "YM New Jersey", respectively, for the purchase price of $21,500 each. The vessels were acquired with attached time charters, for which a deferred asset was recognized (Note 6). Later in 2015, the Company, through its subsidiaries Meck Shipping Company Inc. and Langor Shipping Company Inc., entered into two memoranda of agreement with unrelated parties, to acquire the container vessels "Rotterdam" and "Hamburg", for a purchase price of $37,500 and $38,500 respectively. An amount of $475 was deducted from the purchase price of the vessel "Rotterdam", representing a lumpsum compensation agreed with the sellers. Additional capitalized costs for the years ended December 31, 2015 and 2014 amounted to $495 and $427.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

In 2015, the Company, after taking into account factors as the vessels' age and employment prospects under the current market conditions, determined the future undiscounted cash flows for each of its vessels, considering its various alternatives, including that certain vessels would be sold immediately after the expiration of their existing charter parties. This assessment concluded that the carrying value of the vessel Hanjin Malta was not recoverable and accordingly, the Company has recognized an impairment loss of $6,607, which is separately reflected in the 2015 accompanying statement of operations. The fair value of the vessel, which was sold subsequent to the balance sheet date (Note 16), was determined through Level 3 inputs of the fair value hierarchy as determined by management, making also use of available market data for the market value of vessels with similar characteristics. The vessel was measured at fair value on a non-recurring basis as a result of the management's impairment test exercise. The fair value and impairment loss of the specific vessel are presented below:

Vessel	Fair Value Measurement	Vessel Impairment Loss
Hanjin Malta	$ 5,020	$ 6,607

During 2014, the Company, through its subsidiary Mejit Shipping Company Inc., sold the vessel "Sardonyx" (ex "APL Sardonyx") to an unaffiliated third party for demolition, for a sale price of $9,722, net of address commission. In 2015, the Company, through Lemongina Inc., entered into a memorandum of agreement to sell the vessel " Garnet" (ex " APL Garnet") to an unrelated party for demolition, for a sale price of $7,615, net of address commission. The aggregate loss from the sale of the vessels in 2015 and 2014, including direct to sale expenses, amounted to $8,300 and $695, respectively, and is separately reflected in the accompanying consolidated statements of operations.

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

	Vessels' Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2013	$ 284,108	$ (18,736)	$ 265,372
- Acquisitions and other vessels' costs	60,379	-	60,379
- Vessels' disposals	(11,409)	1,929	(9,480)
- Depreciation for the period	-	(10,177)	(10,177)
Balance, December 31, 2014	$ 333,078	$ (26,984)	$ 306,094
- Acquisitions and other vessels' costs	113,020	-	113,020
- Vessels' disposals	(17,588)	2,243	(15,345)
- Depreciation for the period	-	(12,613)	(12,613)
- Impairment charges	(6,607)	-	(6,607)
Balance, December 31, 2015	$ 421,903	$ (37,354)	$ 384,549

As at December 31, 2015, certain of the Company's vessels, having a total carrying value of $275,602, were provided as collateral to secure the term facility with the Royal Bank of Scotland plc, discussed in Note 7.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

5. Property and Equipment, net

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

	Property and Equipment	Accumulated Depreciation	Net Book Value
Balance, December 31, 2013	$ 421	$ (100)	$ 321
- Land acquisition	871	-	871
- Additions in equipment	29	-	29
- Depreciation for the period	-	(132)	(132)
Balance, December 31, 2014	$ 1,321	$ (232)	$ 1,089
- Additions in property and equipment	39	-	39
- Depreciation for the period	-	(141)	(141)
Balance, December 31, 2015	$ 1,360	$ (373)	$ 987

In December 2014, UOT acquired, jointly with two other related parties, from unrelated individuals a plot of land in Athens, Greece, for an aggregate purchase price of Euro 2.0 million or $2,490, based on the exchange rate of US Dollar to Euro on the date of acquisition. The plot of land is under the common ownership of the joint purchasers. The Company paid one third of the purchase price, and the total cost for the acquisition of the plot, including additional capitalized costs, amounted to $871.

6. Prepaid Charter Revenue

The amounts presented as Prepaid charter revenue in the accompanying consolidated balance sheets represent the unamortized balance of an asset associated with vessels acquired with time charters attached at values above their charter-free fair market values at the time of acquisition, which is amortized to revenue over the period of the respective time charter agreements. In this respect, during 2015, the Company recognized prepaid charter revenue for the newly-acquired vessels "YM Los Angeles" and "YM New Jersey" (Note 4). As of December 31, 2015, the unamortized balance of the account relates to the vessels "Hanjin Malta", "YM New Jersey" and "YM Los Angeles", with their charter expiration falling the earliest in February, September and October 2016, respectively. Accordingly, the balance of the account as of December 31, 2015 is expected to be fully amortized within the next twelve months.

The movement of the prepaid charter revenue from vessel acquisitions with time-charter attached for the years ended December 31, 2015 and 2014 was as follows:

	Gross Amount	Accumulated Amortization	Net Amount
Balance, December 31, 2013	$ 42,500	$ (24,526)	$ $ 17,974
- Amortization for the period	-	(11,610)	(11,610)
- Write-off of fully amortized assets	(9,000)	9,000	-
Balance, December 31, 2014	$ 33,500	$ (27,136)	$ $ 6,364
- Additions	6,000	-	6,000
- Amortization for the period	-	(8,566)	(8,566)
- Write-off of fully amortized assets	(12,500)	12,500	-
Balance, December 31, 2015	$ 27,000	$ (23,202)	$ $ 3,798

The amortization to revenues for 2015, 2014 and 2013 is separately reflected in Prepaid charter revenue amortization in the accompanying consolidated statements of operations.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

7. Long-Term Bank Debt, Current and Non-Current

The amounts of long-term bank debt shown in the accompanying consolidated balance sheets are analyzed as follows:

	2015 Total	Current	Non-current	2014 Total	Current	Non-current
Royal Bank of Scotland - Revolving Credit facility	$ -	$ -	$ -	$ 98,700	$ 6,000	$ 92,700
Royal Bank of Scotland - Term Loan	144,687	15,376	129,311	-	-	-
less unamortized deferred financing costs	(2,009)	(479)	(1,530)	(402)	(196)	(206)
Total bank debt, net of unamortized deferred financing costs	$ 142,678	$ 14,897	$ 127,781	$ 98,298	$ 5,804	$ 92,494

The Royal Bank of Scotland plc – Revolving Credit Facility: On December 16, 2011, the Company entered into a revolving credit facility with the Royal Bank of Scotland plc ("RBS"), where the lenders have agreed to make available to it a revolving credit facility of up to $100,000 in order to refinance part of the acquisition cost of the vessels m/v "Sagitta" and m/v "Centaurus" and finance part of the acquisition costs of additional containerships ("Additional Ships"). An aggregate amount of $98,700 has been drawn down under the credit facility.

The facility would be available for five years with the maximum available amount reducing based on the age of the financed vessels and being assessed on a yearly basis, as well as, at the date on which the age of any Additional Ship exceeded the 20 years. In the event that the amounts outstanding at that time exceeded the revised Available Facility Limit, the Company would repay such part of the loan that exceeded the Available Facility Limit. The credit facility provided for interest at LIBOR plus a margin of 2.75% per annum, and effective June 1, 2013, for an increased margin of 3.10% per annum over LIBOR.

The facility was secured by first priority mortgages over certain vessels of the fleet, general assignments of earnings, insurances and requisition compensation, minimum insurance coverage, specific assignments of any charters exceeding durations of twelve months, pledge of shares of the guarantors which were the ship-owning companies of the mortgaged vessels, manager's undertakings and minimum security value depending on the average age of the mortgaged vessels. The credit facility also included restrictions as to changes in certain shareholdings, management and employment of vessels, and required minimum cash of 10% of the drawings under the revolving facility, but not less than $5,000, to be deposited by the borrower with the lenders. Furthermore, the facility agreement contained customary financial covenants and the Company was not permitted to pay any dividends that would result in a breach of the financial covenants. In 2013 and 2014, the Company entered into various supplemental agreements with the lenders, the main terms of which provided for security interest on the minimum cash held by the borrower in favor of the lenders and for changes in the definitions of certain financial covenants. In addition, the Company was required to provide additional vessels as collateral to secure the facility and was restricted from providing any security interest over the Company's assets in favor of DSI.

Based on the age of the financed vessels, an amount of $6,000 was repaid in August 2015. On September 15, 2015, in connection with the loan re-finance discussed below, the Company prepaid in full the outstanding balance of $92,700 and the facility was terminated. As a result of the debt modification, the unamortized balance of the related financing costs, amounting to $263, is amortized to Interest and finance costs, along with the new financing costs, over the life of the new term loan facility.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

The Royal Bank of Scotland plc – Term Loan: On September 10, 2015, the Company, through nine of its subsidiaries, entered into a loan agreement with RBS of up to $148,000, to re-finance the acquisition cost of seven of the Company's vessels, including the full prepayment of the existing facility agreement (discussed above), and to support the acquisition of the two newly acquired vessels, the "Hamburg" and the "Rotterdam" (Note 4). Until December 31, 2015, the Company drew down the full amount of the loan and paid arrangement and structuring fees amounting to $1,875.

The loan bears interest at the rate of 2.75% per annum over LIBOR and is repayable in quarterly instalments and a balloon payment payable together with the last installment in September 2021. The Company paid commitment commissions of 1.375% per annum on the undrawn amounts, from July 30, 2015, date of acceptance of the lenders' offer letter, until the drawdown dates.

The loan is secured by first preferred mortgages on nine vessels of the Company's fleet, first priority deeds of assignments of insurances, earnings, charter rights and requisition compensation and a corporate guarantee. The loan agreement also contains customary financial covenants, minimum security value of the mortgaged vessels, requires minimum liquidity of $500 per vessel in the fleet and restricted cash of $9,000 to be deposited by the borrowers with the lenders for the duration of the loan. There are also restrictions as to changes in the DSI loan agreement, other than the amendment described in Note 3, in the securities purchase agreement that the Company has entered into in the private placement which took place in July 2014 (discussed in Note 10), in certain shareholdings and management of the vessels. Finally, the Company is not permitted to pay any dividends that would result in a breach of the financial covenants.

The weighted average interest rate of the bank loans during 2015 and 2014 was 3.22% and 3.28%, respectively. During 2015, 2014 and 2013, total interest incurred on long-term bank debt, amounted to $3,541, $3,282 and $3,029, respectively, and is included in Interest and finance costs in the accompanying consolidated statements of operations (Note 12). Commitment fees incurred during 2015, 2014 and 2013, amounted to $329, $0 and $53, respectively, and are also included in Interest and finance costs in the accompanying consolidated statements of operations.

The maturities of the Company's debt facility described above, as of December 31, 2015, and throughout its term are as follows:

Period	Principal Repayment
January 1, 2016 to December 31, 2016	$ 15,376
January 1, 2017 to December 31, 2017	15,376
January 1, 2018 to December 31, 2018	15,376
January 1, 2019 to December 31, 2019	15,376
January 1, 2020 to December 31, 2020	15,376
January 1, 2021 and thereafter	67,807
Total	$ 144,687

8. Deferred Revenue, Current

The amounts presented as deferred revenue, current in the accompanying consolidated balance sheets as of December 31, 2015 and 2014 reflect (a) cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met, (b) deferred revenue resulting from free quantities of lubricants provided to the vessels as a benefit from the suppliers for entering into long-term contracts with them. Deferred revenue under (b) above is amortized to Operating expenses according to the terms of the respective contracts. For 2015, 2014 and 2013, amortization of the deferred revenue from free lubricants amounted to $50, $221 and $107, respectively.

	2015	2014
Hires collected in advance	$ 647	$ 441
Deferred revenue from lubricants	-	50
Deferred Revenue, current	$ 647	$ 491

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

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

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

(b) As at December 31, 2015, the majority of our vessels were operating under time charter agreements, while the rest of them were not chartered. The minimum contractual annual charter revenues, net of related commissions to third parties, to be generated from the existing as at December 31, 2015, non-cancelable time charter contracts until their expiration, are estimated at $21,819 until December 31, 2016.

10. Changes in Capital Accounts

(a) Compensation cost on restricted common stock: In 2010 the Company adopted an equity incentive plan which entitles the Company's directors, officers, employees, consultants and service providers to receive options to acquire the Company's common stock, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. The Equity Incentive plan was amended in 2012. A total of 2,392,198 common shares have been reserved under the Incentive plan (as amended) for issuance, of which as at December 31, 2015, 1,032,502 common shares remain available to be issued. The plan is administered by our compensation committee, or such other committee of the Company's Board of Directors as may be designated by the Board to administer the plan. The plan will expire in ten years from the adoption of the plan by the Board of Directors.

In May 2015, the Company's board of directors approved to adopt the Diana Containerships Inc. 2015 Equity Incentive Plan, with substantially the same terms and provisions as the Company's Amended and Restated 2010 Equity Incentive Plan. Under the 2015 Equity Incentive Plan, an aggregate of 5,000,000 common shares were reserved for issuance. The plan is administered by the compensation committee, or such other committee of the Company's board of directors as may be designated by the board to administer the plan. The plan will expire in ten years from the adoption of the plan by the Board of Directors.

During 2015, the Company's Board of Directors approved the grant of restricted common stock to the executive management pursuant to the Company's equity incentive plan, and in accordance with terms and conditions of restricted shares award agreements signed by the grantees. The restricted shares are subject to forfeiture until they vest. Unless they forfeit, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares. The 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, which is 3 years.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

During 2015, 2014 and 2013, compensation cost on restricted stock amounted to $928, $341 and $371, respectively, and is included in General and administrative expenses. At December 31, 2015 and 2014, the total unrecognized compensation cost relating to restricted share awards was $1,797 and $1,049, respectively. At December 31, 2015, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 1.07 years. During 2015, 2014 and 2013, the movement of restricted stock cost was as follows:

	Number of Shares	Weighted Average Grant Date Price
Outstanding at December 31, 2012	79,998	$ 12.50
Granted	-	-
Vested	(66,664)	13.50
Outstanding at December 31, 2013	13,334	$ 7.50
Granted	361,442	3.72
Vested	(13,334)	7.50
Outstanding at December 31, 2014	361,442	$ 3.72
Granted	731,590	2.29
Vested	(120,481)	3.72
Outstanding at December 31, 2015	972,551	$ 2.64

(b) ATM offering: On May 21, 2013, the Company filed a prospectus supplement pursuant to Rule 424(b) relating to the offer and sale of an aggregate of up to $40.0 million in gross proceeds of its common stock under an at-the market offering. In 2013, an aggregate of 2,859,603 shares of the Company's common stock have been issued, and the net proceeds received during the year, after deducting underwriting commissions and offering expenses payable by the Company, amounted to $12,356. In 2014, a number of 1,092,596 of additional shares were issued and the net proceeds received during the period, after deducting underwriting commissions and offering expenses payable by the Company, amounted to $4,652. On July 28, 2014, the Company announced the suspension of the offer and sale of its common shares under the existing at-the-market offering until there is a significant improvement in the containership market.

(c) Private Equity Placement: On July 28, 2014, the Company entered into an agreement to sell 36,653,386 shares of its common stock in a private placement at a purchase price of $2.51 per share. In the transaction, DSI purchased $40,000 of common shares, two unaffiliated institutional investors together purchased $40,000 of common shares and the Company's CEO and Chairman, a member of his family and other members of the senior management, together purchased $12,000 of common shares. The transaction was approved by an independent committee of the Company's Board of Directors, which obtained a fairness opinion from an independent financial advisor regarding the financial fairness to the Company of the aggregate purchase price to be received by the Company. Pursuant to the Securities Purchase Agreement, the Company agreed that, commencing with the dividend payable with respect to the second quarter of 2014, and for not less than four consecutive fiscal quarters thereafter, it will not declare or pay dividends in excess of $0.01 per share on an annualized basis; provided, however, that in the event of a material improvement in the container shipping market, the Company's board of directors may amend this dividend policy to resume the payment of dividends. In connection with this transaction, the Company and its respective counter parties entered into amendments to the brokerage services agreement with DEI, the loan agreement with DSI, both discussed in Note 3, the facility agreement with RBS discussed in Note 7 and the Stockholders Rights Agreement, discussed under (d) below. The transaction closed on July 29, 2014 and the net proceeds received, after deducting offering expenses payable by the Company, amounted to $91,349.

(d) Stockholders Rights Agreement: In 2010, the Company entered into a stockholders rights agreement (the "Stockholders Rights Agreement") with Mellon Investor Services LLC as Rights Agent. Pursuant to this Stockholders Rights Agreement, each share of the Company's common stock includes one right (the "Right") that will entitle the holder to purchase from the Company a unit consisting of one one-thousandth of a share of our preferred stock at an exercise price specified in the Stockholders Rights Agreement, subject to specified adjustments. Until a Right is exercised, the holder of a Right will have no rights to vote or receive dividends or any other stockholder rights. As at December 31, 2015 and 2014, no Rights were exercised.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

11. Voyage and Vessel Operating Expenses

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

	2015	2014	2013
Voyage Expenses			
Port charges	$ 52	$ -	$ 30
Bunkers	1,284	5	50
Commissions	1,283	327	625
Total	$ 2,619	$ 332	$ 705
Vessel Operating Expenses			
Crew wages and related costs	$ 17,626	$ 14,415	$ 16,944
Insurance	2,454	1,772	1,891
Spares and consumable stores	11,134	6,075	8,071
Repairs and maintenance	3,322	3,359	3,277
Tonnage taxes (Note 14)	644	526	356
Environmental costs	238	201	-
Other operating expenses	429	211	331
Total	$ 35,847	$ 26,559	$ 30,870

12. Interest and Finance Costs

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

	2015	2014	2013
Interest expense on bank debt (Note 7)	$ 3,541	$ 3,282	$ 3,029
Interest expense and other fees on related party debt (Note 3)	2,945	3,247	1,195
Amortization of deferred financing costs (Note 7)	268	196	197
Commitment fees and other (Note 7)	412	21	133
Total	$ 7,166	$ 6,746	$ 4,554

13. Earnings / (Loss) per Share

All shares issued (including the restricted shares issued under the equity incentive plan) are DCI's common stock and have equal rights to vote and participate in dividends, subject to forfeiture provisions set forth in the applicable award agreement. Unvested shares granted under the Company's incentive plan of 972,551, as at December 31, 2015, and 361,442 as at December 31, 2014 (Note 10), received dividends which are not refundable, even if such shares are forfeited, and therefore are considered participating securities for basic earnings per share calculation purposes. Dividends declared and paid during 2015, 2014 and 2013 amounted to $739, $7,534 and $29,674, respectively. The calculation of basic earnings/ (loss) per share does not consider the non-vested shares as outstanding until the time-based vesting restrictions have lapsed. For the purpose of calculating diluted earnings per share, the weighted average number of diluted shares outstanding includes the incremental shares assumed issued as determined in accordance with the antidilution sequencing provisions of ASC 260. For 2015 and 2013 and on the basis that the Company incurred losses, the effect of the incremental shares assumed issued would have been anti-dilutive and therefore basic and diluted losses per share are the same amount. For 2014, the effect of the incremental shares assumed issued, determined in accordance with the antidilution sequencing provision of ASC 260, was anti-dilutive.

(Expressed in thousands of US Dollars – except for share and per share data, unless otherwise stated)

	2015		2014		2013	
	Basic LPS	Diluted LPS	Basic EPS	Diluted EPS	Basic LPS	Diluted LPS
Net income / (loss)	$ (17,531)	$ (17,531)	$ 3,238	$ 3,238	$ (57,346)	$ (57,346)
Less distributed earnings allocated to restricted shares	-	-	(50)	(50)	-	-
Net income/ (loss) available to common stockholders	(17,531)	(17,531)	3,188	3,188	(57,346)	(57,346)
Weighted average number of common shares, basic	72,876,441	72,876,441	51,645,071	51,645,071	33,159,328	33,159,328
Effect of dilutive restricted shares	-	-	-	-	-	-
Weighted average number of common shares, diluted	72,876,441	72,876,441	51,645,071	51,645,071	33,159,328	33,159,328
Earnings / (loss) per common share, basic and diluted	$ (0.24)	$ (0.24)	$ 0.06	$ 0.06	$ (1.73)	$ (1.73)

14. Income Taxes

Under the laws of the countries of the companies' incorporation and / or vessels' registration, the companies are not subject to tax on international shipping income; however, they are subject to registration and tonnage taxes, which are included in vessel operating expenses in the accompanying consolidated statements of operations (Note 11).

Under Section 883 of the Internal Revenue Code of the United States (the "Code"), a corporation would be exempt from U.S. federal income taxation on its U.S.-source shipping income if: (a) it is organized in a foreign country that grants an "equivalent exemption" to corporations organized in the United States ("United States corporations"); and (b) either (i) more than 50% of the value of its common stock is owned, directly or indirectly, by "qualified shareholders,", which is referred to as the "50% Ownership Test," or (ii) its common stock is "primarily and regularly traded on an established securities market" in a country that grants an "equivalent exemption" to U.S. corporations or in the United States, which is referred to as the "Publicly-Traded Test."

The Marshall Islands, the jurisdiction where DCI and each of its vessel-owning subsidiaries are incorporated, grant an "equivalent exemption" to U.S. corporations. Therefore, the Company would be exempt from U.S. federal income taxation with respect to its U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of shares 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 share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of outstanding shares, to which we refer as the "Five Percent Override Rule."

The Company believes that it satisfies the Publicly-Traded Test and is not subject to the Five Percent Override Rule. However, there are factual circumstances beyond the control of the Company that could cause it to lose the benefit of the Section 883 exemption. For example, there is a risk that the Company could no longer qualify for exemption under Code section 883 for a particular taxable year if shareholders with a five percent or greater interest in its common shares were to own 50% or more of its outstanding common shares on more than half the days of the taxable year.

It is not anticipated that the Company will have any vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of the shipping operations and other activities of Diana Containerships, it is not anticipated that any of the U.S.-source shipping income of the Company will be "effectively connected" with the conduct of a U.S. trade or business.

15. Financial Instruments

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair value of long-term loans and restricted cash balances, bearing interest at variable interest rates, approximate their recorded values as at December 31, 2015 and 2014.

16. Subsequent Events

(a) Receipt of NASDAQ Notice: On January 14, 2016, the Company received written notification from The NASDAQ Stock Market LLC indicating that, because the closing bid price of the Company's common stock for the last 30 consecutive business days was below $1.00 per share, the Company no longer meets the minimum bid price requirement for The Nasdaq Global Select Market. The applicable grace period to regain compliance is until July 12, 2016. Within this period, the Company intends to complete a reverse stock split, in order to regain compliance. In this respect, on February 24, 2016, the Annual General Meeting of Shareholders approved an amendment to the Company's Amended and Restated Articles of Incorporation granting authority to the Company's board of directors to effect a reverse stock split on or before the Company's 2017 Annual Meeting of Shareholders.

(b) Vessel's sale for demolition: On February 16, 2016, the Company, through Nauru Shipping Company Inc., entered into a memorandum of agreement to sell the vessel "Hanjin Malta" to an unrelated party for demolition, for a sale price of $5,044 before commissions. On March 9, 2016, the vessel was delivered to her new owners.

(c) Equity incentive plan and annual bonus**:** On February 24, 2016, the Company's Board of Directors approved a cash bonus of about $180 to all employees and consultants of the Company and a cash bonus of about $242 to Diana Enterpsises Inc. In addition, the Board approved an award of 999,989 of restricted common stock to the executive management and the non-executive directors, pursuant to the Company's 2010 equity incentive plan, as amended in 2012. The fair value of the restricted shares based on the closing price on the date of granting was about $380 and will be recognized in income ratably over the restricted shares vesting period which will be 3 years.

(d) Declaration of dividends: On March 1, 2016, the Company declared dividends amounting to $0.0025 per share, which will be paid on or around March 30, 2016 to stockholders of record as of March 15, 2016.

Exhibit 4.5

DIANA CONTAINERSHIPS INC.
2015 EQUITY INCENTIVE PLAN

ARTICLE I.
General

1.1. Purpose

The Diana Containerships Inc. 2015 Equity Incentive Plan (the "Plan") is designed to provide certain Key Persons (as defined below), whose initiative and efforts are deemed to be important to the successful conduct of the business of Diana Containerships Inc. (the "Company"), with incentives to (a) enter into and remain in the service of the Company or its Subsidiaries or Affiliates (as such terms are defined below), (b) acquire a proprietary interest in the success of the Company, (c) maximize their performance and (d) enhance the long-term performance of the Company.

1.2. Administration

(a) Administration. The Plan shall be administered by the Compensation Committee (the "Compensation Committee") of the Company's Board of Directors (the "Board"), or such other committee of the Board as may be designated by the Board to administer the Plan (the Compensation Committee or such other committee, as applicable, the "Administrator"); provided that (i) in the event the Company is subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act"), the Administrator shall be composed of two or more directors, each of whom is a "Non-Employee Director" (a "Non-Employee Director") under Rule 16b-3 (as promulgated and interpreted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, or any successor rule or regulation thereto as in effect from time to time ("Rule 16b-3")), and (ii) the Administrator shall be composed solely of two or more directors who are "independent directors" under the rules of any stock exchange on which the Company's Common Stock (as defined below) is traded; provided further, however, that, (A) the requirement in the preceding clause (i) shall apply only when required to exempt an Award (as defined below) intended to qualify for an exemption under the applicable provisions referenced therein, (B) the requirement in the preceding clause (ii) shall apply only when required pursuant to the applicable rules of the applicable stock exchange and (C) if at any time the Administrator is not so composed as required by the preceding provisions of this sentence, that fact will not invalidate any grant made, or action taken, by the Administrator hereunder that otherwise satisfies the terms of the Plan. Subject to the terms of the Plan, applicable law and the applicable rules and regulations of any stock exchange on which the Common Stock is listed for trading, and in addition to other express powers and authorizations conferred on the Administrator by the Plan, the Administrator shall have the full power and authority to: (1) designate the Key Persons to receive Awards under the Plan; (2) determine the types of Awards granted to a participant under the Plan; (3) determine the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards; (4) determine the terms and conditions of any Awards; (5) determine whether, and to what extent, and under what circumstances, Awards may be settled or exercised in cash, shares, other securities, other Awards or other property, or cancelled, forfeited or suspended, and the methods by which Awards may be settled, exercised, cancelled, forfeited or suspended; (6) determine whether, to what extent, and under what circumstances cash, shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred, either automatically or at the election of the holder thereof or the Administrator; (7) construe, interpret and implement the Plan and any Award Agreement (as defined below); (8) prescribe, amend, rescind or waive rules and regulations relating to the Plan, including rules governing its operation, and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (9) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award Agreement; and (10) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Administrator, may be made at any time and shall be final, conclusive and binding upon all Persons (as defined below).

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

(c) Indemnification. No member of the Board, the Administrator or any officer or employee of the Company or any Subsidiary or Affiliate or any of their agents (each such Person, a "Covered Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Articles of Incorporation or Bylaws (in each case, as amended and/or restated). The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Articles of Incorporation or Bylaws (in each case, as amended and/or restated), as a matter of law, or otherwise, or any other power that the Company may have to indemnify such Persons or hold them harmless.

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

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

1.3. Persons Eligible for Awards

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

1.4. Types of Awards

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

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

(a) Maximum Number. Subject to adjustment as provided in Section 1.5(c), the aggregate number of shares of common stock of the Company, par value $0.01 ("Common Stock"), with respect to which Awards may at any time be granted under the Plan shall be 5,000,000. The following shares of Common Stock shall again become available for Awards under the Plan: (i) any shares that are subject to an Award under the Plan and that remain unissued upon the cancellation or termination of such Award for any reason whatsoever; (ii) any shares of restricted stock forfeited pursuant to the Plan or the applicable Award Agreement; provided that any dividend equivalent rights with respect to such shares that have not theretofore been directly remitted to the grantee are also forfeited; and (iii) any shares in respect of which an Award is settled for cash without the delivery of shares to the grantee. Any shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award shall again become available to be delivered pursuant to Awards under the Plan.

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

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

(ii) The Administrator is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including the events described in Section 1.5(c)(i) or the occurrence of a Change in Control (as defined below), other than an Equity Restructuring) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law, whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, including providing for (A) adjustment to (1) the number of shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price (as defined below) with respect to any Award and (B) a substitution or assumption of Awards, accelerating the exercisability or vesting of, or lapse of restrictions on, Awards, or accelerating the termination of Awards by providing for a period of time for exercise prior to the occurrence of such event, or, if deemed appropriate or desirable, providing for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award (it being understood that, in such event, any option or stock appreciation right having a per share Exercise Price equal to, or in excess of, the Fair Market Value (as defined below) of a share subject to such option or stock appreciation right may be cancelled and terminated without any payment or consideration therefor); provided, however, that with respect to options and stock appreciation rights, unless otherwise determined by the Administrator, such adjustment shall be made in accordance with the provisions of Section 424(h) of the Code.

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

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

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

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

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

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

(B) The Administrator shall make such equitable adjustments, if any, as the Administrator may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustment of the limitation set forth in Section 1.5(a)). The adjustments provided under this Section 1.5(c)(iv) shall be nondiscretionary and shall be final and binding on the affected participant and the Company.

1.6. Definitions of Certain Terms

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

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

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

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

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

(B) any excessive unauthorized absenteeism by the grantee;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II.
Awards Under The Plan

2.1. Agreements Evidencing Awards

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

2.2. Grant of Stock Options and Stock Appreciation Rights

(a) Stock Option Grants. The Administrator may grant non-qualified stock options ("options") to purchase shares of Common Stock from the Company to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. No option will be treated as an "incentive stock option" for purposes of the Code. It shall be the intent of the Administrator to not grant an Award in the form of stock options to any Key Person who is then subject to the requirements of Section 409A of the Code with respect to such Award if the Common Stock underlying such Award does not then qualify as "service recipient stock" for purposes of Section 409A. Furthermore, it shall be the intent of the Administrator, in granting options to Key Persons who are subject to Section 409A and/or Section 457A of the Code, to structure such options so as to comply with the requirements of Section 409A and/or Section 457A of the Code, as applicable.

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

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

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

2.3. Exercise of Options and Stock Appreciation Rights

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

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

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

(c) Payment of Exercise Price. Any written notice of exercise of an option shall be accompanied by payment for the shares being purchased. Such payment shall be made: (i) by certified or official bank check (or the equivalent thereof acceptable to the Company or its Exchange Agent) for the full option Exercise Price; (ii) with the consent of the Administrator, which consent shall be given or withheld in the sole discretion of the Administrator, by delivery of shares of Common Stock having a Fair Market Value (determined as of the exercise date) equal to all or part of the option Exercise Price and a certified or official bank check (or the equivalent thereof acceptable to the Company or its Exchange Agent) for any remaining portion of the full option Exercise Price; or (iii) at the sole discretion of the Administrator and to the extent permitted by law, by such other provision, consistent with the terms of the Plan, as the Administrator may from time to time prescribe (whether directly or indirectly through the Exchange Agent), or by any combination of the foregoing payment methods.

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

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

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

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

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

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

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

(e) Death.

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

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

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

2.5. Transferability of Options and Stock Appreciation Rights

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

2.6. Grant of Restricted Stock

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

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

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

(d) Nontransferability. Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of prior to the lapsing of all restrictions thereon, except as otherwise specifically provided in this Plan or the applicable Award Agreement. The Administrator at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the restricted stock shall lapse.

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

2.7. Grant of Restricted Stock Units

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

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

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

(d) Nontransferability. No restricted stock unit granted under the Plan may be sold, assigned, transferred, pledged or otherwise encumbered or disposed of, except as otherwise specifically provided in this Plan or the applicable Award Agreement.

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

2.8. Grant of Unrestricted Stock

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

2.9. Other Stock-Based Awards

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

2.10. Dividend Equivalents

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

ARTICLE III.
Miscellaneous

3.1. Amendment of the Plan; Modification of Awards

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

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

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

3.2. Consent Requirement

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

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

3.3. Nonassignability

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

3.4. Taxes

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

(b) Liability for Taxes. Grantees and holders of Awards are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including, without limitation, any taxes arising under Sections 409A and 457A of the Code) and the Company shall not have any obligation to indemnify or otherwise hold any such Person harmless from any or all of such taxes. The Administrator shall have the discretion to organize any deferral program, to require deferral election forms, and to grant or, notwithstanding anything to the contrary in the Plan or any Award Agreement, to unilaterally modify any Award in a manner that (i) conforms with the requirements of Sections 409A and 457A of the Code (to the extent applicable), (ii) voids any participant election to the extent it would violate Section 409A or Section 457A of the Code (to the extent applicable) and (iii) for any distribution event or election that could be expected to violate Section 409A of the Code, make the distribution only upon the earliest of the first to occur of a "permissible distribution event" within the meaning of Section 409A of the Code or a distribution event that the participant elects in accordance with Section 409A of the Code. The Administrator shall have the sole discretion to interpret the requirements of the Code, including, without limitation, Sections 409A and 457A, for purposes of the Plan and all Awards.

3.5. Change in Control

(a) Change in Control Defined. Unless otherwise specifically set forth in the applicable Award Agreement, for purposes of the Plan, "Change in Control" shall mean the occurrence of any of the following:

(i) any "person" (as defined in Section 13(d)(3) of the 1934 Act), company or other entity acquires "beneficial ownership" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of more than 50% of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company; provided, however, that no Change in Control shall have occurred in the event of such an acquisition by (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary or Affiliate, (C) any company or other entity owned, directly or indirectly, by the holders of the voting stock ordinarily entitled to elect directors of the Company in substantially the same proportions as their ownership of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company immediately prior to such acquisition, or (D) Diana Shipping Inc. or any entity which Diana Shipping Inc. directly or indirectly "controls" (as defined in Rule 12b-2 under the 1934 Act);

(ii) the sale of all or substantially all the Company's assets in one or more related transactions to any "person" (as defined in Section 13(d)(3) of the 1934 Act), company or other entity; provided, however, that no Change in Control shall have occurred in the event of such a sale to (A) a Subsidiary which does not involve a material change in the equity holdings of the Company, (B) an entity (the "Acquiring Entity") which has acquired all or substantially all the Company's assets if, immediately following such sale, 50% or more of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Acquiring Entity (or, if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Acquiring Entity) is beneficially owned by the holders of the voting stock ordinarily entitled to elect directors of the Company immediately prior to such sale in substantially the same proportions as the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company immediately prior to such sale, or (C) Diana Shipping Inc. or any entity which Diana Shipping Inc. directly or indirectly "controls" (as defined in Rule 12b-2 under the 1934 Act);

(iii) any merger, consolidation, reorganization or similar event of the Company or any Subsidiary; provided, however, that no Change in Control shall have occurred in the event 50% or more of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the surviving entity (or, if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the surviving entity) is beneficially owned by the holders of the voting stock ordinarily entitled to elect directors of the Company immediately prior to such event in substantially the same proportions as the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company immediately prior to such event;

(iv) the approval by the Company's stockholders of a plan of complete liquidation or dissolution of the Company; or

(v) during any period of 12 consecutive calendar months, individuals:

(A) who were directors of the Company on the first day of such period, or

(B) whose election or nomination for election to the Board was recommended or approved by at least a majority of the directors then still in office who were directors of the Company on the first day of such period, or whose election or nomination for election were so approved,

shall cease to constitute a majority of the Board.

Notwithstanding the foregoing, unless otherwise specifically set forth in the applicable Award Agreement, for each Award subject to Section 409A of the Code, a Change in Control shall be deemed to have occurred under this Plan with respect to such Award only if a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company shall also be deemed to have occurred under Section 409A of the Code, provided that such limitation shall apply to such Award only to the extent necessary to avoid adverse tax effects under Section 409A of the Code.

(b) Effect of a Change in Control. Unless the Administrator provides otherwise specifically in an Award Agreement, upon the occurrence of a Change in Control:

(i) notwithstanding any other provision of this Plan, any Award then outstanding shall become fully vested and any forfeiture provisions thereon imposed pursuant to the Plan and the applicable Award Agreement shall lapse and any Award in the form of an option or stock appreciation right shall be immediately exercisable;

(ii) to the extent permitted by law and not otherwise limited by the terms of the Plan, the Administrator may amend any Award Agreement in such manner as it deems appropriate;

(iii) a grantee who incurs a termination of employment or consultancy/service relationship for any reason, other than a termination or dismissal "for Cause", concurrent with or within one year following the Change in Control may exercise any outstanding option or stock appreciation right, but only to the extent that the grantee was entitled to exercise the Award on the date of his or her termination of employment or consultancy/service relationship, until the earlier of (A) the original expiration date of the Award and (B) the later of (x) the date provided for under the terms of Section 2.4 without reference to this Section 3.5(b)(iii) and (y) the first anniversary of the grantee's termination of employment or consultancy/service relationship.

(c) Miscellaneous. Whenever deemed appropriate by the Administrator, any action referred to in paragraph (b)(ii) of this Section 3.5 may be made conditional upon the consummation of the applicable Change in Control transaction.

3.6. Operation and Conduct of Business

Nothing in the Plan or any Award Agreement shall be construed as limiting or preventing the Company or any Subsidiary or Affiliate from taking any action with respect to the operation and conduct of its business that it deems appropriate or in its best interests, including any or all adjustments, recapitalizations, reorganizations, exchanges or other changes in the capital structure of the Company or any Subsidiary or Affiliate, any merger or consolidation of the Company or any Subsidiary or Affiliate, any issuance of Company shares or other securities or subscription rights, any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or other securities or rights thereof, any dissolution or liquidation of the Company or any Subsidiary or Affiliate, any sale or transfer of all or any part of the assets or business of the Company or any Subsidiary or Affiliate, or any other corporate act or proceeding, whether of a similar character or otherwise.

3.7. No Rights to Awards

No Key Person or other Person shall have any claim to be granted any Award under the Plan.

3.8. Right of Discharge Reserved

Nothing in the Plan or in any Award Agreement shall confer upon any grantee the right to continue his or her employment with the Company or any Subsidiary or Affiliate, his or her consultancy/service relationship with the Company or any Subsidiary or Affiliate, or his or her position as a director of the Company or any Subsidiary or Affiliate, or affect any right that the Company or any Subsidiary or Affiliate may have to terminate such employment or consultancy/service relationship or service as a director.

3.9. Non-Uniform Determinations

The Administrator's determinations and the treatment of Key Persons and grantees and their beneficiaries under the Plan need not be uniform and may be made and determined by the Administrator selectively among Persons who receive, or who are eligible to receive, Awards under the Plan (whether or not such Persons are similarly situated). Without limiting the generality of the foregoing, the Administrator shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Award Agreements, as to (a) the Persons to receive Awards under the Plan, (b) the types of Awards granted under the Plan, (c) the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards and (d) the terms and conditions of Awards.

3.10. Other Payments or Awards

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company from making any award or payment to any Person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

3.11. Headings

Any section, subsection, paragraph or other subdivision headings contained herein are for the purpose of convenience only and are not intended to expand, limit or otherwise define the contents of such section, subsection, paragraph or subdivision.

3.12. Effective Date and Term of Plan

(a) Adoption; Stockholder Approval. The Plan was adopted by the Board on May 5, 2015. The Board may, but need not, make the granting of any Awards under the Plan subject to the approval of the Company's stockholders.

(b) Termination of Plan. The Board may terminate the Plan at any time. All Awards made under the Plan prior to its termination shall remain in effect until such Awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreements. No Awards may be granted under the Plan following the tenth anniversary of the date on which the Plan was adopted by the Board.

3.13. Restriction on Issuance of Stock Pursuant to Awards

The Company shall not permit any shares of Common Stock to be issued pursuant to Awards granted under the Plan unless such shares of Common Stock are fully paid and non-assessable under applicable law. Notwithstanding anything to the contrary in the Plan or any Award Agreement, at the time of the exercise of any Award, at the time of vesting of any Award, at the time of payment of shares of Common Stock in exchange for, or in cancellation of, any Award, or at the time of grant of any unrestricted shares under the Plan, the Company and the Administrator may, if either shall deem it necessary or advisable for any reason, require the holder of an Award (a) to represent in writing to the Company that it is the Award holder's then-intention to acquire the shares with respect to which the Award is granted for investment and not with a view to the distribution thereof or (b) to postpone the date of exercise until such time as the Company has available for delivery to the Award holder a prospectus meeting the requirements of all applicable securities laws; and no shares shall be issued or transferred in connection with any Award unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Company and the Administrator. The Company and the Administrator shall have the right to condition any issuance of shares to any Award holder hereunder on such Person's undertaking in writing to comply with such restrictions on the subsequent transfer of such shares as the Company or the Administrator shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and all share certificates delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Company or the Administrator may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, any stock exchange upon which such shares are listed, and any applicable securities or other laws, and certificates representing such shares may contain a legend to reflect any such restrictions. The Administrator may refuse to issue or transfer any shares or other consideration under an Award if it determines that the issuance or transfer of such shares or other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the 1934 Act, and any payment tendered to the Company by a grantee or other Award holder in connection with the exercise of such Award shall be promptly refunded to the relevant grantee or other Award holder. Without limiting the generality of the foregoing, no Award granted under the Plan shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Administrator has determined that any such offer, if made, would be in compliance with all applicable requirements of any applicable securities laws.

3.14. Requirement of Notification of Election Under Section 83(b) of the Code

If an Award recipient, in connection with the acquisition of Company shares under the Plan, makes an election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code), the grantee shall notify the Administrator of such election within ten days of filing notice of the election with the U.S. Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code.

3.15. Severability

If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to the applicable laws or, if it cannot be construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

3.16. Sections 409A and 457A

To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Sections 409A and 457A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, in the event that the Administrator determines that any Award may be subject to Section 409A or Section 457A of the Code, the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Plan and Award from Sections 409A and 457A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Sections 409A and 457A of the Code and related Department of Treasury guidance and thereby avoid the application of penalty taxes under Sections 409A and 457A of the Code.

3.17. Forfeiture; Clawback

The Administrator may, in its sole discretion, specify in the applicable Award Agreement that any realized gain with respect to options or stock appreciation rights and any realized value with respect to other Awards shall be subject to forfeiture or clawback, in the event of (a) a grantee's breach of any non-competition, non-solicitation, confidentiality or other restrictive covenants with respect to the Company or any Subsidiary or Affiliate, (b) a grantee's breach of any employment or consulting agreement with the Company or any Subsidiary or Affiliate, (c) a grantee's termination for Cause or (d) a financial restatement that reduces the amount of compensation under the Plan previously awarded to a grantee that would have been earned had results been properly reported.

3.18. No Trust or Fund Created

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary or Affiliate and an Award recipient or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary or Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or its Subsidiary or Affiliate.

3.19. No Fractional Shares

No fractional shares shall be issued or delivered pursuant to the Plan or any Award, and the Administrator shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional shares or whether such fractional shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

3.20. Governing Law

The Plan will be construed and administered in accordance with the laws of the State of New York, without giving effect to principles of conflict of laws.

Exhibit 4.9

DIANA ENTERPRISES INC.

THIS AGREEMENT dated this 1st day of April 2015 by and between Diana Containerships 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 Containerships Inc. is a leading global provider of shipping transportation services through its ownership of containerships. The Company's vessels are employed primarily on time charters with leading liner companies carrying containerized cargo along worldwide shipping routes.

2. Engagement. The Company hereby engages the Broker to act as broker for the Company and for any of its affiliates as directed by the Company to assist the Company in the provision of the Services by providing to the Company or to an entity designated by the Company from time to time, brokerage services relating to the purchase, sale or chartering of vessels, brokerage services relating to the repairs and other maintenance of vessels, and any relevant consulting services permitted by Greek laws or the 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 on the 1st day of April 2015 and ending (unless terminated earlier on the basis of any other provision of this Agreement) on the 31st day of March 2016 (the said period 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. The Company shall pay the Broker a lump sum commission in the amount of US$121,000 per month, payable at the beginning of every quarter, starting on the 1st day of April 2015, 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 thirty-five percent (35%) 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 NASDAQ.

(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 Unitized Ocean Transport Limited
Pendelis 18, Palaio Faliro, 175 64
Athens, Greece
Telephone: +30 216 6002400
Telefax: +30 216 6002599
Attn: Director and President

(ii) If to the Broker, to:
c/o 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 CONTAINERSHIPS INC.

/s/ Symeon Palios
By: Symeon Palios
Title: Director, Chief Executive Officer and Chairman of the Board

DIANA ENTERPRISES INC.

/s/ Ioannis Zafirakis
By: Ioannis Zafirakis
Title: Director and Treasurer

Exhibit 4.14

September 9, 2015

SECOND AMENDMENT TO

LOAN AGREEMENT

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relating to an unsecured term loan facility
of up to US$50,000,000 to be used for
general corporate purposes and working
capital requirements

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 September 9, 2015 to that certain loan agreement dated as of May 20, 2013 is made 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) Section 10.1 of the Loan Agreement is deleted in its entirety and replaced with the following:

10.1 **Back End Fee**. The Borrowers, jointly and severally, agree to pay to the Lender on the date of this Amendment a back end fee in an amount equal to one and one quarter per cent. (1.25%) per annum of the total amount of the Loan outstanding (the "Back End Fee") in respect of the period commencing on the Drawdown Date(s) and ending on the date of this Amendment.

(B) The Loan Agreement shall be amended to add a new Section 10.2 as follows:

10.2 The Borrowers, jointly and severally, agree to pay to the Lender on the Repayment Date a fee in an amount of $200,000.

(C) The definition of "Margin" in Section 1.1 of the Loan Agreement shall be deleted in its entirety and replaced with the following:

"**Margin**" means three per cent. (3.0%) per annum;

(D) The Loan Agreement shall be amended to add a new Section 2.3 as follows:

2.3 **Subordination.** Each Borrower, the Guarantor and the Lender agree that the Loan shall be legally subordinated to indebtedness under a term loan with The Royal Bank of Scotland plc ("RBS") in the amount of up to $148,000,000 (the "RBS Term Loan") and exposure under an interest rate management facility (together with the RBS Term Loan, the "RBS Facility") entered into by the Guarantor and certain of its subsidiaries pursuant to an offer letter received by the Guarantor from RBS, dated July 30, 2015.

(E) The definition of "Repayment Date" in Section 1.1 of the Loan Agreement shall be deleted in its entirety and replaced with the following:

"**Repayment Date**" means March 15, 2022 or such earlier date on which the outstanding principal balance of the Loan is paid in full.

(F) Section 6.2 of the Loan Agreement is deleted in its entirety and replaced with the following:

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 calendar year, provided that the amount to be repaid pursuant to this Section 6.2 shall not exceed $32,500,000 in the aggregate.

6.3 **Voluntary prepayment.** After the RBS Facility shall have been paid in full, each Borrower may prepay the whole or any part of the Loan, without penalty, at any time during the term of the Loan. No prepayment of the Loan shall be made other than in accordance with this Section 6.3.

(G) Pursuant to Section 9.2 of the Loan Agreement, the Lender hereby consents to the entry by the Guarantor and certain of its subsidiaries into the RBS Facility.

(H) 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.

(I) 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.

(J) 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	)
for and on behalf of	) /s/ Margarita Veniou
Eluk Shipping Company Inc.	)
in the presence of:	)

GUARANTOR

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

LENDER

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

Exhibit 4.31

Execution Version

US$148,000,000 Secured Loan Agreement

Dated 10 September 2015

(1) **Likiep Shipping Company Inc.**
Orangina Inc.
Oruk Shipping Company Inc.
Delap Shipping Company Inc.
Jabor Shipping Company Inc.
Kapa Shipping Company Inc.
Mago Shipping Company Inc.
Meck Shipping Company Inc.
Langor Shipping Company Inc.
(as Borrowers)

(2) **Diana Containerships Inc.**
(as Original Guarantor)

(3) **The Financial Institutions listed in Part I of Schedule 1**
(as Original Lenders)

(4) **The Royal Bank of Scotland plc**
(as Arranger)

(5) **The Royal Bank of Scotland plc**
(as Agent)

(6) **The Financial Institutions listed in Part II of Schedule 1**
(as Original Swap Providers)

(7) **The Royal Bank of Scotland plc**
(as Security Agent)

Contents

Loan Agreement
Dated 10 September 2015

Between:

(1) **Likiep Shipping Company Inc.** ("**Borrower A**"), **Orangina Inc.** ("**Borrower B**"), **Oruk Shipping Company Inc.** ("**Borrower C**"), **Delap Shipping Company Inc.** ("**Borrower D**"), **Jabor Shipping Company Inc.** ("**Borrower E**"), **Kapa Shipping Company Inc.** ("**Borrower F**"), **Mago Shipping Company Inc.** ("**Borrower G**"), **Meck Shipping Company Inc.** ("**Borrower H**") and **Langor Shipping Company Inc.** ("**Borrower I**", and together with Borrower A, Borrower B, Borrower C, Borrower, D, Borrower, E, Borrower F, Borrower G and Borrower H the "**Borrowers**" and each a "**Borrower**"), each a company incorporated according to the law of the Republic of the Marshall Islands with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands jointly and severally; and

(2) **Diana Containerships Inc.**, a company incorporated according to the law of the Republic of the Marshall Islands with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands (the "**Original Guarantor**"); and

(3) **The Financial Institutions** listed in Part I of Schedule 1 (*The Original Lenders*), each acting through its Facility Office (together the "**Original Lenders**" and each an "**Original Lender**"); and

(4) **The Royal Bank of Scotland plc**, acting as arranger through its office at 135 Bishopsgate, London EC2M 3UR (in that capacity, the "**Arranger**"); and

(5) **The Royal Bank of Scotland plc**, acting as agent through its office at 135 Bishopsgate, London EC2M 3UR (in that capacity, the "**Agent**"); and

(6) **The Financial Institutions** listed in Part II of Schedule 1 (*The Original Swap Providers*), each acting through its Facility Office (together the "**Original Swap Providers**" and each an "**Original Swap Provider**"); and

(7) **The Royal Bank of Scotland plc**, acting as security agent through its office at 135 Bishopsgate, London EC2M 3UR (in that capacity, the "**Security Agent**").

Preliminary

Each of the Original Lenders has agreed to advance to the Borrowers on a joint and several basis its Commitment (aggregating, with all the other Commitments, up to $148,000,000) to (i) re-finance the Existing Indebtedness under the Existing Loan Agreement and (ii) to finance part of the purchase price of each New Vessel.

It is agreed as follows:

Section 1 Interpretation

1 Definitions and Interpretation

1.1 Definitions In this Agreement:

"**Acceptable Bank**" means a bank or financial institution which has a rating for its long-term unsecured and non-credit-enhanced debt obligations of BBB- or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or Baa3 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency.

"**Accession Deed**" means a document substantially in the form set out in Schedule 6 (*Form of Accession Deed - Additional Guarantor*).

"**Account Holder**" means The Royal Bank of Scotland plc acting through its branch at 135 Bishopsgate, London EC2M 3UR or any other bank or financial institution which at any time, with the Agent's prior written consent, holds the Accounts.

"**Accounts**" means the Earnings Accounts and the Liquidity Account.

"**Account Security Deeds**" means the account security deeds referred to in Clause 17.1.4 (*Security Documents*), and "**Account Security Deed**" means any one of them.

"**Additional Guarantor**" means the Collateral Owner should it become the Additional Guarantor in accordance with Clause 25 (*Changes to the Security Parties*).

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

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company. Notwithstanding the foregoing, in relation to The Royal Bank of Scotland plc, the term "Affiliate" shall not include: (i) the UK Government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof); or (ii) any persons or entities controlled by or under common control with the UK Government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) which are not part of The Royal Bank of Scotland Group plc and its Subsidiaries or subsidiary undertakings.

"**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 Fearnleys AS, E.A. Gibson Shipbrokers London, Arrow Sale & Purchase (UK) Limited, Galbraith's Ltd London, Braemar Seascope Ltd London, Howe Robinson Partners, Maersk Brokers K/S, Simpson Spence & Young (London) Ltd. and VesselsValue.com (any in each case, their respective successors or Affiliates), or such other first-class independent broker as the Borrowers and the Agent may agree in writing from time to time.

"**Assignments**" means the deeds of assignment referred to in Clause 17.1.2 (*Security Documents*).

"**Assignment Agreement**" means an agreement substantially in the form set out in Schedule 5 (*Form of Assignment Agreement*) or any other form agreed between the relevant assignor and assignee.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Availability Period**" means:

(a) in respect of each Initial Vessel Tranche, the period from and including the date of this Agreement to and including 15 September 2015; and

(b) in respect of each New Vessel Tranche, the period from and including the date of this Agreement to and including 31 December 2015.

"**Break Costs**" means the amount (if any) by which:

(a) the interest which a Lender should have received for the period from the date of receipt of all or any part of its participation in the Loan or an Unpaid Sum to the last day of the current Interest Period in respect of the Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

(b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

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

"**Charged Property**" means all of the assets of the Security Parties which from time to time are, or are expressed to be, the subject of the Security Documents.

"**Charters**" means any charters in respect of a Vessel or (as the case may be) the Collateral Vessel which inclusive of extension options are capable of exceeding 12 months, and "**Charter**" means any one of them.

"**Charter Rights**" means the rights of a Borrower or (as the case may be) the Collateral Owner pursuant to a Charter.

"**Code**" means the US Internal Revenue Code of 1986.

"**Collateral Assignment**" means the deed of assignment referred to in Clause 17.1.8 (*Security Documents*).

"**Collateral Mortgage**" means the first preferred mortgage referred to in Clause 17.1.7 (*Security Documents*).

"**Collateral Owner**" means Utirik Shipping Company Inc., a company incorporated according to the law of the Republic of the Marshall Islands with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands.

"**Collateral Security Documents**" means the Collateral Mortgage and the Collateral Assignment.

"**Collateral Vessel**" means the m.v. "Cap Doukato" and everything now or in the future belonging to her on board and onshore, currently registered under the flag of the Marshall Islands in the ownership of the Collateral Owner.

"**Commitment**" means:

(a) in relation to an Original Lender, the amount set opposite its name under the heading "Commitment" in Schedule 1 (*The Original Lenders*) and the amount of any other Commitment transferred to it under this Agreement; and

(b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 8 (*Form of Compliance Certificate*).

"**Confidential Information**" means all information relating to any Security Party, the Finance Documents or the Loan of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Loan from either:

(a) any Security Party or any of their respective advisers; or

(b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any Security Party or any of their respective advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 36 (*Confidentiality*); or

(ii) is identified in writing at the time of delivery as non-confidential by any Security Party or any of their respective advisers; or

(iii) is known by that Finance Party before the date the information is disclosed to it in accordance with (a) or (b) or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with any Security Party and which, in either case, as far

as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in a recommended form of the Loan Market Association at the relevant time.

"**Confirmation**" means a Confirmation exchanged or deemed to be exchanged between a Swap Provider and the Borrowers as contemplated by a Master Agreement.

"**Credit Support Document**" means any document described as such in any Master Agreement and any other document referred to in any such document which has the effect of creating security in favour of any of the Finance Parties.

"**Credit Support Provider**" means any person (other than a Borrower) described as such in any Master Agreement.

"**Default**" means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"**Defaulting Lender**" means any Lender:

(a) which has failed to make its participation in a Tranche available (or has notified the Agent or the Borrowers (which have notified the Agent) that it will not make its participation in a Tranche available) by the Drawdown Date of that Tranche in accordance with Clause 5.3 (*Lenders' participation*);

(b) which has otherwise rescinded or repudiated a Finance Document; or

(c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of (a):

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within three Business Days of its due date; or

(ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Delegate**" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Loan (or otherwise in order for the transactions contemplated by the Finance Documents to be carried

out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"**DOC**" means, in relation to the ISM Company, a valid Document of Compliance issued for the ISM Company by the Administration under paragraph 13.2 of the ISM Code.

"**Drawdown Date**" means the date on which a Tranche is advanced under Clause 5 (*Advance*).

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

"**DSI**" means Diana Shipping Inc., a company incorporated according to the law of the Republic of the Marshall Islands with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands.

"**DSI Loan**" means the loan agreement dated 20 May 2013 entered into between Eluk as borrower, the Original Guarantor as guarantor and DSI as lender.

"**Earnings**" means all hires, freights, pool income and other sums payable to or for the account of a Borrower in respect of a Vessel and/or the Collateral Owner including (without limitation) all remuneration for salvage and towage services, demurrage and detention moneys, contributions in general average, compensation in respect of any requisition for hire, and damages and other payments (whether awarded by any court or arbitral tribunal or by agreement or otherwise) for breach, termination or variation of any contract for the operation, employment or use of a Vessel or the Collateral Vessel.

"**Earnings Accounts**" means the bank accounts to be 'opened in the names of the Borrowers with the Account Holder and each designated an "Earnings Account" and "**Earnings Account**" means any one of them.

"**Eluk**" means Eluk Shipping Company Inc., a company formed under the law of the Republic of the Marshall Islands with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands.

"**Encumbrance**" means a mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Environmental Approval**" means any present or future permit, ruling, variance or other Authorisation required under Environmental Laws.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any governmental, judicial or regulatory authority or any other person which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law and, for this purpose, "claim" includes a claim for damages, compensation, contribution, injury, fines, losses and penalties or any other payment of any kind, including in relation to clean-up and removal, whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset.

"**Environmental Incident**" means:

(a) any release, emission, spill or discharge into a Vessel or (as the case may be) the Collateral Vessel or into or upon the air, sea, land or soils (including the seabed) or surface water of Environmentally Sensitive Material within or from a Vessel or the Collateral Vessel; or

(b) any incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water from a vessel other than a Vessel or (as the case may be) the Collateral Vessel and which involves a collision between a Vessel or (as the case may be) the Collateral Vessel and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Vessel or (as the case may be) the Collateral Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Vessel and/or the Collateral Vessel and/or any Security Party and/or any operator or manager of a Vessel or (as the case may be) the Collateral Vessel is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water otherwise than from a Vessel or (as the case may be) the Collateral Vessel and in connection with which a Vessel or (as the case may be) the Collateral Vessel is actually or potentially liable to be arrested and/or where any Security Party and/or any operator or manager of a Vessel or (as the case may be) the Collateral Vessel is at fault or allegedly at fault or otherwise liable to any legal or administrative action, other than in accordance with an Environmental Approval.

"**Environmental Law**" means any present or future law or regulation relating to pollution or protection of human health or the environment, to conditions in the workplace, to the carriage, generation, handling, storage, use, release or spillage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material.

"**Environmentally Sensitive Material**" means and includes all contaminants, oil, oil products, toxic substances and any other substance (including any chemical, gas or

other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous.

"**Event of Default**" means any event or circumstance specified as such in Clause 23 (*Events of Default*).

"**Executive Managers**" means the persons identified in the letter agreement dated on or around the date of this Agreement made between the Original Guarantor and the Agent.

"**Existing Indebtedness**" means all amounts outstanding pursuant to the Existing Loan Agreement on the applicable date.

"**Existing Loan Agreement**" means the secured loan facility agreement dated 16 December 2011 made between the Original Guarantor as borrower, various subsidiaries of the Original Guarantor listed in part I of schedule 1 thereto as original guarantors, The Royal Bank of Scotland plc as arranger, the financial institutions listed in part II of schedule 1 thereto as original lenders, the financial institutions listed in part III of schedule 1 thereto as hedge counterparties, The Royal Bank of Scotland plc as agent and The Royal Bank of Scotland plc as security trustee.

"**Facility Office**" means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

"**Facility Period**" means the period beginning on the date of this Agreement and ending on the date when the whole of the Indebtedness has been paid in full and the Security Parties have ceased to be under any further actual or contingent liability to the Finance Parties under or in connection with the Finance Documents.

"**Families**" means the families of the Executive Managers.

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in (a); or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in (a) or (b) with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Application Date**" means:

(a) in relation to a "withholdable payment" described in section 1473(1)(A)(1) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;

(b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2017; or

(c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within (a) or (b), 1 January 2017,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**Fee Letters**" means the letters dated on or about the date of this Agreement entered into between the Arranger, the Borrowers and the Original Guarantor (or the Agent, the Borrowers and the Original Guarantor or the Security Agent, the Borrowers and the Original Guarantor) setting out any of the fees referred to in Clause 11 (*Fees*).

"**Finance Documents**" means this Agreement, any Accession Deed, the Fee Letters, the Master Agreements, the Security Documents and any other document designated as such by the Agent and the Borrowers, and "**Finance Document**" means any one of them.

"**Finance Parties**" means the Arranger, the Agent, the Security Agent, the Swap Providers and the Lenders, and "**Finance Party**" means any one of them.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions;

(b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);

(c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);

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

financial institution in respect of an underlying liability of an entity which is not a Security Party which liability would fall within one of the other sections of this definition;

(h) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the Termination Date or are otherwise classified as borrowings under GAAP;

(i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 90 days after the date of supply; any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under GAAP; and

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

"**Fleet**" means each of the vessels owned by members of the Group at the applicable time.

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

"**Group**" means the Guarantor and its Subsidiaries.

"**Guarantee**" means the guarantee and indemnity of each Guarantor contained in Clause 18 (*Guarantee and Indemnity*) and referred to in Clause 17.1.3 (*Security Documents*).

"**Guarantor**" means the Original Guarantor and the Collateral Owner, if it has become a Guarantor in accordance with Clause 25 (*Changes to the Security Parties*).

"**Holding Company**" means, in relation to a person, any other person in respect of which it is a Subsidiary.

"**IAPPC**" means a valid international air pollution prevention certificate for a Vessel or (as the case may be) the Collateral Vessel issued under Annex VI.

"**IFRS**" means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**Impaired Agent**" means the Agent at any time when:

(a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;

(b) the Agent otherwise rescinds or repudiates a Finance Document;

(c) (if the Agent is also a Lender) it is a Defaulting Lender under (a) or (b) of the definition of "Defaulting Lender"; or

(d) an Insolvency Event has occurred and is continuing with respect to the Agent;

unless, in the case of (a):

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within three Business Days of its due date; or

(ii) the Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Indebtedness**" means the aggregate from time to time of: the amount of the Loan outstanding; all accrued and unpaid interest on the Loan; and all other sums of any nature (together with all accrued and unpaid interest on any of those sums) payable to any of the Finance Parties under all or any of the Finance Documents.

"**Initial Vessel Tranches**" means Tranche A, Tranche B, Tranche C, Tranche D, Tranche E, Tranche F and Tranche G, and "**Initial Vessel Tranche**" means any one of them.

"**Initial Vessels**" means Vessel A, Vessel B, Vessel C, Vessel D, Vessel E, Vessel F and Vessel G, and each an "**Initial Vessel**".

"**Insolvency Event**" in relation to an entity means that the entity:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

(e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its

winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in (d) and:

(i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

(ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;

(f) has exercised in respect of it one or more of the stabilisation powers pursuant to Part 1 of the Banking Act 2009 and/or has instituted against it a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009;

(g) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(h) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in (d));

(i) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;

(j) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (a) to (i); or

takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

"**Insurances**" means all policies and contracts of insurance (including all entries in protection and indemnity or war risks associations) which are from time to time taken out or entered into in respect of or in connection with a Vessel and the Collateral Vessel or her increased value or her Earnings and (where the context permits) all benefits under such contracts and policies, including all claims of any nature and returns of premium.

"**Intercreditor Deed**" means the intercreditor deed in respect of the DSI Loan dated on or around the date of this Agreement to be entered into between DSI and the Agent.

"**Interest Payment Date**" means each date for the payment of interest in accordance with Clause 8.2 (*Payment of interest*).

"**Interest Period**" means each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

"**ISM Code**" means the International Management Code for the Safe Operation of Ships and for Pollution Prevention.

"**ISM Company**" means, at any given time, the company responsible for a Vessel's or (as the case may be) the Collateral Vessel's compliance with the ISM Code under paragraph 1.1.2 of the ISM Code.

"**ISPS Code**" means the International Ship and Port Facility Security Code.

"**ISSC**" means a valid international ship security certificate for a Vessel or (as the case may be) the Collateral Vessel issued under the ISPS Code.

"**Joint Venture**" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

"**Legal Opinion**" means any legal opinion delivered to the Agent under Clause 4.1 (*Initial conditions precedent*) or Clause 4.3 (*Conditions subsequent*).

"**Legal Reservations**" means:

(a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

(b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim;

(c) similar principles, rights and defences under the laws of any Relevant Jurisdiction; and

(d) any other matters which are set out as qualifications or reservations as to matters of law of general application in the Legal Opinions.

"**Lender**" means:

(a) any Original Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Lender in accordance with Clause 24 (*Changes to the Lenders*),

which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

"**LIBOR**" means, in relation to any Tranche:

(a) the applicable Screen Rate; or

(b) (if (i) no Screen Rate is available for the currency of that Tranche or (ii) no Screen Rate is available for the relevant Interest Period the Reference Bank Rate,

as of 11.00 a.m. on the Quotation Day for dollars and for a period equal in length to the relevant Interest Period.

"**Limitation Acts**" means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

"**Liquidity Account**" means the bank account opened in the name of the Original Guarantor with the Account Holder and designated as the "Liquidity Account".

"**Loan**" means the aggregate amount of the Tranches advanced or to be advanced by the Lenders to the Borrowers under Clause 2 (*The Loan*) or, where the context permits, the principal amount of the Tranches advanced and for the time being outstanding.

"**Majority Lenders**" means a Lender or Lenders whose Commitments aggregate more than $66^{2}/_{3}$% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than $66^{2}/_{3}$% of the Total Commitments immediately prior to the reduction).

"**Management Agreements**" means:

(a) the agreement for the commercial and technical management of Vessel A dated 1 March 2013 entered into between Borrower A and the Manager;

(b) the agreement for the commercial and technical management of Vessel B dated 1 March 2013 entered into between Borrower B and the Manager;

(c) the agreement for the commercial and technical management of Vessel C dated 8 August 2013 entered into between Borrower C and the Manager;

(d) the agreement for the commercial and technical management of Vessel D dated 7 August 2014 entered into between Borrower D and the Manager;

(e) the agreement for the commercial and technical management of Vessel E dated 7 August 2014 entered into between Borrower E and the Manager;

(f) the agreement for the commercial and technical management of Vessel F dated 19 March 2015 entered into between Borrower F and the Manager;

(g) the agreement for the commercial and technical management of Vessel G dated 19 March 2015 entered into between Borrower G and the Manager;

(h) the agreement for the commercial and technical management of Vessel H dated 29 July 2015 entered into between Borrower H and the Manager;

(i) the agreement for the commercial and technical management of Vessel I dated 29 July 2015 into between Borrower I and the Manager; and

(j) the agreement for the commercial and technical management of the Collateral Vessel entered into between the Collateral Owner and the Manager,

or such other commercial and technical management agreement in respect of the Vessels or (as the case may be) the Collateral Vessel as the Agent may approve in writing, and "**Management Agreement**" means any one of them.

"**Managers**" means Unitized Ocean Transport Limited, a company incorporated according to the law of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands, or such other commercial and technical managers of the Vessels and (as the case may be) the Collateral Vessel nominated by the Borrowers or (as the case may be) the Collateral Owner as the Agent may approve in writing.

"**Managers' Undertakings**" means the written undertakings of the Managers whereby, throughout the Facility Period unless otherwise agreed by the Agent:

(a) they will remain the commercial and technical managers of the Vessels and (as the case may be) the Collateral Vessel;

(b) they will not, without the prior written consent of the Agent, subcontract or delegate the commercial or technical management of the Vessels or (as the case may be) the Collateral Vessel to any third party;

(c) the interests of the Managers in the Insurances will be assigned to the Security Agent with first priority; and

(d) (following the occurrence of an Event of Default) all claims of the Managers against the Borrowers and (as the case may be) the Collateral Owner shall be subordinated to the claims of the Finance Parties under the Finance Documents.

"**Margin**" means two point seven five per cent per annum.

"**Market Value**" means the value of a Vessel or (as the case may be) the Collateral Vessel conclusively determined pursuant to Clause 17.13 (*Valuations*) on the basis of a charter-free sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing seller and a willing buyer.

"**Master Agreement**" means any ISDA Master Agreement (or any other form of master agreement relating to interest or currency exchange transactions) entered into between a Swap Provider and the Borrowers during the Facility Period, including each Schedule to any Master Agreement and each Confirmation exchanged under any Master Agreement.

"**Master Agreement Proceeds**" means any and all sums due and payable to the Borrowers or any of them under any Master Agreement following an Early Termination Date (subject always to all rights of netting and set-off contained in each Master Agreement) and all rights to require and enforce the payment of those sums.

"**Master Agreement Proceeds Charges**" means the deeds of charge referred to in Clause 17.1.6 (*Security Documents*).

"**Material Adverse Effect**" means in the reasonable opinion of the Majority Lenders a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of any Security Party; or

(b) the ability of any Security Party to perform its obligations under any Finance Document; or

(c) the validity or enforceability of, or the effectiveness or ranking of any Encumbrance granted or purporting to be granted pursuant to any of, the Finance Documents or the rights or remedies of any Finance Party under any of the Finance Documents.

"**Maximum Loan Amount**" means $148,000,000.

"**Maximum Tranche Amounts**" means the Maximum Tranche A Amount, the Maximum Tranche B Amount, the Maximum Tranche C Amount, the Maximum Tranche D Amount, the Maximum Tranche E Amount, the Maximum Tranche F Amount, the Maximum Tranche G Amount, the Maximum Tranche H Amount and the Maximum Tranche I Amount, and each a "**Maximum Tranche Amount**".

"**Maximum Tranche A Amount**" means, in respect of Vessel A, $11,700,000.

"**Maximum Tranche B Amount**" means, in respect of Vessel B, $11,700,000.

"**Maximum Tranche C Amount**" means, in respect of Vessel C, $21,000,000.

"**Maximum Tranche D Amount**" means, in respect of Vessel D, $14,400,000.

"**Maximum Tranche E Amount**" means, in respect of Vessel E, $14,400,000.

"**Maximum Tranche F Amount**" means, in respect of Vessel F, $12,900,000.

"**Maximum Tranche G Amount**" means, in respect of Vessel G, $12,900,000.

"**Maximum Tranche I-1 Amount**" means, in respect of Vessel H, $23,500,000.

"**Maximum Tranche I Amount**" means, in respect of Vessel I, the lessor of (i) $25,500,000 and (ii) 60% of the Market Value of that Vessel determined pursuant to the valuations in respect of that Vessel determined pursuant to Clause 4.1 (*Initial conditions precedent*).

"**MOAs**" means the memoranda of agreement each dated 29,July 2015 on the terms and subject to the conditions of which the respective Sellers will sell Vessel H and Vessel I to Borrower H and Borrower I respectively, and "**MOA**" means either one of them.

"**Mortgages**" means the first preferred mortgages referred to in Clause 17.1.1 (*Security Documents*), and "**Mortgage**" means any one of them.

"**New Lender**" has the meaning given to that term in Clause 24.1 (*Assignments and transfers by the Lenders*).

"**New Vessel Tranches**" means Tranche H and Tranche I, and "**New Vessel Tranche**" means either one of them.

"**New Vessels**" means Vessel H and Vessel I, and "**New Vessel**" means either one of them.

"**Non-Consenting Lender**" has the meaning given to that term in Clause 35.4 (*Replacement of Lender*).

"**Operating Expenses**" means expenses properly and reasonably incurred by a Borrower in connection with the operation, employment, maintenance, repair and insurance of a Vessel.

"**Original Financial Statements**" means the audited consolidated financial statements of the Original Guarantor for the financial year ended 31 December 2014.

"**Original Jurisdiction**" means, in relation to a Security Party, the jurisdiction under whose laws that Security Party is incorporated as at the date of this Agreement.

"**Party**" means a party to this Agreement.

"**Permitted Disposal**" means any sale, lease, licence, transfer or other disposal which is on arm's length terms:

(a) of assets in exchange for other assets comparable or superior as to type, value and quality;

(b) of obsolete or redundant plant and equipment for cash;

(c) arising as a result of any Permitted Encumbrance; and

(d) of a Vessel by way of a sale provided that (i) no Default is continuing or will result from the sale of that Vessel, (ii) the Borrowers comply with Clause 7.5 (*Mandatory prepayment on sale or Total Loss*) and (iii) the VTL Ratio (calculated pursuant to Clause 17.12 (*Additional Security*) without including such Vessel in the calculation) will not fall below 140% as a result of the sale of such Vessel.

"**Permitted Encumbrance**" means:

(a) any Encumbrance created by the Finance Documents or which has the prior written approval of the Agent;

(b) any Encumbrance arising by operation of law *and* in the ordinary course of trading and not as a result of any default or omission by a Security Party;

(c) any liens for current crews' wages and salvage and liens incurred in the ordinary course of trading a Vessel or (as the case may be) the Collateral Vessel up to an aggregate amount at any time not exceeding five per cent of the charter-free sale value of that Vessel or (as the case may be) the Collateral Vessel; or

(d) any Encumbrance arising:

(i) by operation of law in respect of any Tax which is not overdue for payment; or

(ii) in respect of any Tax being contested in good faith by appropriate steps Provided that the relevant Borrower or (as the case may be) Collateral Owner) maintains adequate reserves to cover the cost of such Tax if such contest is unsuccessful; or

(e) any Encumbrance created in favour of The Royal Bank of Scotland plc pursuant to the terms of the Existing Loan Agreement which is discharged or released on or prior to the Drawdown Date in respect of the Initial Vessel Tranches.

"**Pledgor**" means Diana Containerships Inc., a company formed under the law of the Republic of the Marshall Islands with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands.

"**Prohibited Person**" means any person (whether designated by name or by reason of being included in a class of persons) against whom Sanctions are directed.

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined two Business Days before the first day of that period, unless market practice differs in the Relevant Interbank Market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Reference Banks, as the rate at which the relevant Reference Bank could borrow funds in the London interbank market in dollars and for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in dollars and for that period.

"**Reference Banks**" means, in relation to LIBOR, the principal London offices of The Royal Bank of Scotland plc or such other banks as may be appointed by the Agent in consultation with the Borrowers.

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, If it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"**Relevant Documents**" means the Finance Documents, the MOAs, any Charters, the Management Agreements, the Intercreditor Deed and each Security Party's constitutional documents.

"**Relevant Interbank Market**" means the London interbank market.

"**Relevant Jurisdiction**" means, in relation to a Security Party:

(a) its Original Jurisdiction;

(b) any jurisdiction where any asset subject to or intended to be subject to a Security Document to be executed by it is situated;

(c) any jurisdiction where it conducts its business; and

(d) the jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

"**Repayment Date**" means the date for payment of any Repayment Instalment in accordance with Clause 6 (*Repayment*).

"**Repayment Instalment**" means any instalment of a Tranche to be repaid by the Borrowers under Clause 6 (*Repayment*).

"**Repeating Representations**" means each of the representations set out in Clause 19.1.1 (*Status*) to Clause 19.1.6 (*Governing law and enforcement*), Clause 19.1.10 (*No default*) to Clause 19.1.19 (*Pari passu ranking*) and Clause 19.1.25 (*Sanctions*).

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**Requisition Compensation**" means all compensation or other money which may from time to time be payable to a Borrower or the Collateral Owner as a result of a Vessel or the Collateral Vessel being requisitioned for title or in any other way compulsorily acquired (other than by way of requisition for hire).

"**Sanctions**" means any sanctions, embargoes, freezing provisions, prohibitions or other restrictions relating to trading, doing business, investment, exporting, financing or making assets available (or other activities similar to or connected with any of the foregoing):

(a) imposed by law or regulation of the United Kingdom, the Council of the European Union, the United Nations or its Security Council or the United States of America, whether or not any Security Party or any Affiliate is legally bound to comply with the foregoing; or

(b) otherwise imposed by any law or regulation by which any Security Party or any Affiliate of any of them is bound or, as regards a regulation, compliance with which is reasonable in the ordinary course of business of any Security Party or any Affiliate of any of them.

"**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 rate) for the relevant currency and 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 the

service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Borrowers.

"**Secured Parties**" means each Finance Party from time to time party to this Agreement and any Receiver or Delegate.

"**Security Documents**" means the Mortgages, the Assignments, each Guarantee, the Account Security Deeds, the Share Pledges, the Managers' Undertakings, the Master Agreement Proceeds Charges, any Collateral Security Documents and any other Credit Support Documents or (where the context permits) any one or more of them, and any other agreement or document which may at any time be executed by any person as security for the payment of all or any part of the Indebtedness, and "**Security Document**" means any one of them.

"**Security Parties**" means each Borrower, each Guarantor, the Pledgor, the Managers, any other Credit Support Provider, and any other person who may at any time during the Facility Period be liable for, or provide security for, all or any part of the Indebtedness but excluding for the avoidance of doubt DSI, and "**Security Party**" means any one of them.

"**Sellers**" means:

(a) in respect of Vessel H, Charming Energetic Limited of 23rd Floor, 248 Queen's Road East, Wan Chai, Hong Kong; and

(b) in respect of Vessel I, Dynamic Continental Limited of 23rd Floor, 248 Queen's Road East, Wan Chai, Hong Kong,

and "**Seller**" means either one of them.

"**Securities Purchase Agreement**" means the securities purchase agreement dated 28 July 2012 between the Original Guarantor, 12 West Capital Fund LP, 12 West Capital Offshore Fund LP, DSI, Taracan Investments S.A., 4 Sweet Dreams S.A., Ioannis Zafirakis and Andreas Michalopoulos.

"**Share Pledges**" means the pledges of the issued share capital of the Borrowers referred to in Clause 17.1.4 (*Security Documents*), and "**Share Pledge**" means any one of them.

"**SMC**" means a valid safety management certificate issued for a Vessel or (as the case may be) the Collateral Vessel by or on behalf of the Administration under paragraph 13.7 of the ISM Code.

"**Subsidiary**" means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

"**Swap Provider**" means:

(a) any Original Swap Provider; and

(b) any Lender which has also become a Party as a Swap Provider in accordance with Clause 24.10 (*Swap Provider Accession*),

which in each case has not ceased to be a Swap Provider in accordance with the terms of this Agreement.

"**Swap Provider Accession Deed**" means substantially in the form set out in Schedule *7* (*Form of Accession Deed — Swap Provider*).

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Termination Date**" means the date that is six years after the Drawdown Date of the Initial Vessel Tranches.

"**Total Commitments**" means the aggregate of the Commitments. "**Total Loss**" means:

(a) an actual, constructive, arranged, agreed or compromised total loss of a Vessel or (as the case may be) the Collateral Vessel; or

(b) the requisition for title or compulsory acquisition of a Vessel or (as the case may be) the Collateral Vessel by any government or other competent authority (other than by way of requisition for hire); or

(c) the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture of a Vessel or (as the case may be) the Collateral Vessel (not falling within (b)), unless that Vessel or (as the case may be) the Collateral Vessel is released and returned to the possession of the relevant Borrower or (as the case may be the Collateral Owner) within 60 days after the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture in question.

"**Tranche A**" means that part of the Loan, up to the Maximum Tranche A Amount, to be advanced to the Borrowers for the purpose of refinancing part of the Existing Indebtedness pursuant to the Existing Loan Agreement, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranche B**" means that part of the Loan, up to the Maximum Tranche B Amount, to be advanced to the Borrowers for the purpose of refinancing part of the Existing Indebtedness pursuant to the Existing Loan Agreement, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranche C**" means that part of the Loan, up to the Maximum Tranche C Amount, toe advanced to the Borrowers for the purpose of refinancing part of the Existing Indebtedness pursuant to the Existing Loan Agreement, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranche D**" means that part of the Loan, up to the Maximum Tranche D Amount, to be advanced to the Borrowers for the purpose of refinancing part of the Existing Indebtedness pursuant to the Existing Loan Agreement, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranche E**" means that part of the Loan, up to the Maximum Tranche E Amount, to be advanced to the Borrowers for the purpose of refinancing part of the Existing Indebtedness pursuant to the Existing Loan Agreement, or when the context permits, the amount advanced and for the time being outstanding.

Tranche F" means that part of the Loan, up to the Maximum Tranche F Amount, to be advanced to the Borrowers for the purpose of refinancing part of the Existing Indebtedness pursuant to the Existing Loan Agreement, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranche G**" means that part of the Loan, up to the Maximum Tranche G Amount, to be advanced to the Borrowers for the purpose of refinancing part of the Existing Indebtedness pursuant to the Existing Loan Agreement, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranche** H" means that part of the Loan, up to the Maximum Tranche H Amount, to be advanced to the Borrowers for the purpose of financing part of the purchase price of Vessel H, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranche I**" means that part of the Loan, up to the Maximum Tranche I Amount, to be advanced to the Borrowers for the purpose of financing part of the purchase price of Vessel I, or when the context permits, the amount advanced and for the time being outstanding.

"**Tranches**" means Tranche A, Tranche B, Tranche C, Tranche D, Tranche E, Tranche F, Tranche G, Tranche H and Tranche I, and "**Tranche**" means any one of them.

"**Transaction**" means a transaction entered into between a Swap Provider and the Borrowers governed by a Master Agreement.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrowers.

"**Transfer Date**" means, in relation to an assignment or a transfer, the later of:

(a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and

(b) the date on which the Agent executes the relevant Assignment Agreement or Transfer Certificate.

"**Treasury Transactions**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

"**Trust Property**" means:

(a) all benefits derived by the Security Agent from Clause 17 (*Security and Application of Moneys*); and

(b) all benefits arising under (including, without limitation, all proceeds of the enforcement of) each of the Security Documents,

with the exception of any benefits arising solely for the benefit of the Security Agent.

"**Unpaid Sum**" means any sum due and payable but unpaid by any Security Party under the Finance Documents.

"**US**" means the United States of America.

"**US Tax Obligor**" means:

(a) a Security Party which is resident for tax purposes in the United States of America; or

(b) a Security Party some or all or whose payments under the Finance Documents are from sources within the United States for US federal income tax purposes.

"**VAT**" means:

(a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and

(b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or imposed elsewhere.

"**Vessels**" means the following vessels, and everything now or in the future belonging to them on board and ashore:

(a) in the case of each of the Initial Vessels, currently registered under the respective flags set out below in the ownership of the respective Borrower set out below; and

(b) in the case of each of the New Vessels, currently registered under the Hong Kong flag in the ownership of the relevant Seller, intended to be sold to the respective Borrower set out below on the terms of the relevant MOA, and on delivery to the relevant Borrower to be registered under the respective flags set out below in the ownership of the respective Borrowers,

and "**Vessel**" means any one of them:

Name of Vessel	**Flag**	**Type**	**Year built**	**Owner**	**Vessel**
m.v. "Sagitta"	Marshall Islands	Container ship	2010	Borrower A	**("Vessel A")**
m.v. "Centaurus"	Marshall Islands	Container ship	2010	Borrower B	**("Vessel B")**
m.v. "Pucon"	Marshall Islands	Container ship	2006	Borrower C	**("Vessel C")**
m.v. "YM March"	Marshall	Container	2004	Borrower D	**("Vessel D")**

	Islands	ship			
m.v. "Great"	Marshall Islands	Container ship	2004	Borrower E	**("Vessel E")**
m.v. "YM Los Angeles"	Marshall Islands	Container ship	2006	Borrower F	**("Vessel F")**
m.v. "YM New Jersey"	Marshall Islands	Container ship	2006	Borrower G	**("Vessel G")**
m.v. "Rotterdam"	Marshall Islands	Container ship	2008	Borrower H	**("Vessel H")**
m.v. "Hamburg"	Marshall Islands	Container ship	2009	Borrower I	**("Vessel I")**

1.2 **Construction** Unless a contrary indication appears, any reference in this Agreement to:

1.2.1 any "**Lender**", any "**Borrower**", any "**Guarantor**", the "**Arranger**", the "**Agent**", any "**Swap Provider**", any "**Secured Party**", the "**Security Agent**", any "**Finance Party**" or any "**Party**" shall be construed so as to include its successors in title, permitted assignees and permitted transferees;

1.2.2 "**assets**" includes present and future properties, revenues and rights of every description;

1.2.3 a "Finance **Document**", a "**Security Document**", a "Relevant **Document**" or any other document is a reference to that Finance Document, Security Document, Relevant Document or other document as amended, novated, supplemented, extended or restated from time to time;

1.2.4 a "**group of Lenders**" includes all the Lenders;

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

1.2.6 a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership or other entity (whether or not having separate legal personality);

1.2.7 a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;

1.2.8 a provision of law is a reference to that provision as amended or re-enacted from time to time; and

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

1.3 **Headings** Section, Clause and Schedule headings are for ease of reference only.

1.4 **Defined terms** Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

1.5 **Default** A Default (other than an Event of Default) is "continuing" if it has not been remedied or waived and an Event of Default is "continuing" if it has not been waived.

1.6 **Currency symbols and definitions** "**$**", "**USD**" and "**dollars**" denote the lawful currency of the United States of America.

1.7 **Third party rights** A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Agreement.

1.8 **Offer letter** This Agreement supersedes the terms and conditions contained in any correspondence relating to the subject matter of this Agreement exchanged between any Finance Party and the Borrowers or their representatives before the date of this Agreement.

Section 2 The Loan

2 The Loan

2.1 **Amount** Subject to the terms of this Agreement, the Lenders agree to make available to the Borrowers on a joint and several basis a term loan in an aggregate amount not exceeding the Maximum Loan Amount.

2.2 **Finance Parties' rights and obligations**

2.2.1 The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

2.2.2 The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from a Security Party shall be a separate and independent debt.

2.2.3 A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3 Purpose

3.1 **Purpose** The Borrowers shall apply the Loan for the purposes referred to in the Preliminary.

3.2 **Monitoring** No Finance Party is bound to monitor or verify the application of any amount borrowed under this Agreement.

4 Conditions of Utilisation

4.1 **Initial conditions precedent**

4.1.1 The Lenders will only be obliged to comply with Clause 5.3 (*Lenders' participation*) in relation to the advance of a Tranche if, on or before the relevant Drawdown Date, the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Agent, save that references in Section 2 of that Part I to "the Vessel" or "the New Vessel" or to any person or document relating to a Vessel shall be deemed to relate solely to the Vessel specified in the relevant Drawdown Request or to any person or document relating to that Vessel respectively. The Agent shall notify the Borrowers and the Lenders promptly upon being so satisfied.

4.1.2 Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in Clause 4.1.1, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.2 Further conditions precedent

4.2.1 The Lenders will only be obliged to advance a Tranche if on the date of the relevant Drawdown Request and on the proposed Drawdown Date:

(a) no Default is continuing or would result from the advance of that Tranche;

(b) the representations made by each Borrower and each Guarantor under Clause 19 (*Representations*) are true;

(c) the amount requested in respect of the Loan does not exceed the Maximum Loan Amount;

(d) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche A does not exceed the Maximum Tranche A Amount;

(e) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche B does not exceed the Maximum Tranche B Amount;

(f) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche C does not exceed the Maximum Tranche C Amount;

(g) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche D does not exceed the Maximum Tranche D Amount;

(h) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche E does not exceed the Maximum Tranche E Amount;

(i) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche F does not exceed the Maximum Tranche F Amount;

(j) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche G does not exceed the Maximum Tranche G Amount;

(k) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche H does not exceed the Maximum Tranche H Amount; and

(l) subject to Clause 25.2.1 (*Additional Guarantor*), the amount requested in respect of Tranche I does not exceed the Maximum Tranche I Amount.

4.3 **Conditions subsequent** The Borrowers undertake to deliver or to cause to be delivered to the Agent within five Business Days after the relevant Drawdown Date the additional documents and other evidence listed in Part II of Schedule 2 (Conditions Subsequent), save that references in that Part II to "the Vessel" or to

any person or document relating to a Vessel shall be deemed to relate solely to the Vessel specified in the relevant Drawdown Request or to any person or document relating to that Vessel respectively.

4.4 **No waiver** If the Lenders in their sole discretion agree to advance a Tranche to the Borrowers before all of the documents and evidence required by Clause 4.1 (*Initial conditions precedent*) have been delivered to or to the order of the Agent, the Borrowers undertake to deliver all outstanding documents and evidence to or to the order of the Agent no later than seven days after the relevant Drawdown Date or such other date specified by the Agent (acting on the instructions of all the Lenders).

The advance of a Tranche under this Clause 4.4 shall not be taken as a waiver of the Lenders' right to require production of all the documents and evidence required by Clause 4.1 (*Initial conditions precedent*).

4.5 **Form and content** All documents and evidence delivered to the Agent under this Clause shall:

4.5.1 be in form and substance acceptable to the Agent; and

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

Section 3 Utilisation

5 Advance

5.1 **Delivery of a Drawdown Request** The Borrowers may request a Tranche to be advanced by delivery to the Agent of a duly completed Drawdown Request not more than ten and not fewer than three Business Days before the proposed Drawdown Date. The Borrowers:

5.1.1 may only request an Initial Vessel Tranche to be advanced if the Borrowers request that all of the Initial Vessel Tranches are advanced on the same Drawdown Date; and

5.1.2 may only request a New Vessel Tranche to be advanced if the Borrowers have already received each of the Initial Vessel Tranches.

5.2 **Completion of a Drawdown Request** A Drawdown Request is irrevocable and will not be regarded as having been duly completed unless:

5.2.1 it is signed by an authorised signatory of each Borrower;

5.2.2 the proposed Drawdown Date is a Business Day within the relevant Availability Period; and

5.2.3 the proposed Interest Period complies with Clause 9 (*Interest Periods*).

5.3 **Lenders' participation**

5.3.1 Subject to Clauses 2 (*The Loan*), 3 (*Purpose*) and 4 (*Conditions of Utilisation*), each Lender shall make its participation in any Tranche available by the relevant Drawdown Date through its Facility Office.

5.3.2 The amount of each Lender's participation in any Tranche will be equal to the proportion borne by its Commitment to the Total Commitments.

5.4 **Cancellation of Commitment** The Total Commitments shall be cancelled at the end of the Availability Period to the extent that they are unutilised at that time.

Section 4 **Repayment, Prepayment and Cancellation**

6 **Repayment**

6.1 **Repayment of Loan** The Borrowers agree to repay each Tranche to the Agent for the account of the Lenders as follows:

6.1.1 Tranche A by 24 consecutive quarterly Repayment Instalments, each in the sum of $225,000, and the final such instalment shall be paid together with a balloon Repayment Instalment in the sum of $6,300,000, the first instalment in respect of Tranche A falling due on the date that is three months from the Drawdown Date for Tranche .A and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the final instalment of Tranche A falling due on the Termination Date;

6.1.2 Tranche B by 24 consecutive quarterly Repayment Instalments, each in the sum of $225,000, and the final such instalment shall be paid together with a balloon Repayment Instalment in the sum of $6,300,000, the first instalment in respect of Tranche B falling due on the date that is three months from the Drawdown Date for Tranche B and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the final instalment of Tranche B falling due on the Termination Date;

6.1.3 Tranche C by 24 consecutive quarterly Repayment Instalments, each in the sum of $583,350, and the final such instalment shall be paid together with a balloon Repayment Instalment in the sum of $6,999,600, the first instalment in respect of Tranche C falling due on the date that is three months from the Drawdown Date for Tranche C and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the final instalment of Tranche C falling due on the Termination Date;

6.1.4 Tranche D by 24 consecutive quarterly Repayment Instalments, each in the sum of $514,300, and the final such instalment shall be paid together with a balloon Repayment Instalment in the sum of $2,056,800, the first instalment in respect of Tranche D falling due on the date that is three months from the Drawdown Date for Tranche D and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the final instalment of Tranche D falling due on the Termination Date;

6.1.5 Tranche E by 24 consecutive quarterly Repayment Instalments, each in the sum of $514,300, and the final such instalment shall be paid together with a balloon Repayment Instalment in the sum of $2,056,800, the first instalment in respect of Tranche E falling due on the date that is three months from the Drawdown Date for Tranche E and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the final instalment of Tranche E falling due on the Termination Date;

6.1.6 Tranche F by 24 consecutive quarterly Repayment Instalments, each in the sum of $358,350, and the final such instalment shall be paid together with a balloon Repayment Instalment in the sum of $4,299,600, the first instalment in respect of Tranche F falling due on the date that is three months from the Drawdown Date for Tranche F and subsequent instalments

falling due at consecutive intervals of three calendar months thereafter and the final instalment of Tranche F falling due on the Termination Date;

6.1.7 Tranche G by 24 consecutive quarterly Repayment Instalments, each in the sum of $358,350, and the final such instalment shall be paid together with a balloon Repayment Instalment in the sum of $4,299,600, the first instalment in respect of Tranche G falling due on the date that is three months from the Drawdown Date for Tranche G and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the final instalment of Tranche G falling due on the Termination Date;

6.1.8 Tranche H by consecutive quarterly Repayment Instalments, each in the sum of $534,100, and a balloon instalment in the sum of all amounts outstanding in respect of Tranche H on the Termination Date, the first instalment in respect of Tranche H falling due on the date that is three months from the Drawdown Date for Tranche H and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the balloon instalment of Tranche H falling due on the Termination Date; and

6.1.9 Tranche I by consecutive quarterly Repayment Instalments, each in the sum of $531,250, and a balloon instalment in the sum of all amounts outstanding in respect of Tranche I on the Termination Date, the first instalment in respect of Tranche I falling due on the date that is three months from the Drawdown Date for Tranche I and subsequent instalments falling due at consecutive intervals of three calendar months thereafter and the balloon instalment of Tranche I falling due on the Termination Date.

6.2 **Reduction of Repayment Instalments** If the aggregate amount advanced to the Borrowers:

6.2.1 in respect of Tranche A is less than $11,700,000;

6.2.2 in respect of Tranche B is less than $11,700,000;

6.2.3 in respect of Tranche C is less than $21,000,000;

6.2.4 in respect of Tranche D is less than $14,400,000;

6.2.5 in respect of Tranche E is less than $14,400,000;

6.2.6 in respect of Tranche F is less than $12,900,000;

6.2.7 in respect of Tranche G is less than $12,900,000;

6.2.8 in respect of Tranche H is less than $23,500,000; or

6.2.9 in respect of Tranche I is less than $25,500,000,

the amount of each Repayment Instalment in respect of that Tranche shall be reduced pro rata to the amount actually advanced.

6.3 **Reborrowing** The Borrowers may not reborrow any part of a Tranche which is repaid or prepaid.

7 Illegality, Prepayment and Cancellation

7.1 **Illegality** If it becomes unlawful in any jurisdiction (other than by reason of Sanctions) for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan or it becomes unlawful for any Affiliate of a Lender for that Lender to do so:

7.1.1 that Lender shall promptly notify the Agent upon becoming aware of that event;

7.1.2 upon the Agent notifying the Borrowers, the Commitment of that Lender will be immediately cancelled; and

7.1.3 the Borrowers shall repay that Lender's participation in each Tranche on the last day of its current Interest Period or, if earlier, the date specified by that Lender in the notice delivered to the Agent and notified by the Agent to the Borrowers (being no earlier than the last day of any applicable grace period permitted by law).

7.2 **Voluntary cancellation** The Borrowers may, if they give the Agent not less than 14 days' (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (being a minimum amount of $500,000) of the undrawn amount of a Tranche. Any cancellation under this Clause 7.2 shall reduce the Commitments of the Lenders rateably.

7.3 **Voluntary prepayment of Loan** The Borrowers may prepay the whole or any part of the Loan (but, if in part, being an amount that reduces the Loan by an amount which is an integral multiple of $500,000) subject as follows:

7.3.1 they give the Agent not less than 14 days' (or such shorter period as the Majority Lenders may agree) prior notice; and

7.3.2 any prepayment under this Clause 7.3 satisfy the obligations of the Borrower under Clause 6.1 (*Repayment of Loan*) (i) pro rata against each Tranche and (ii) in inverse order of maturity.

7.4 **Right of cancellation and prepayment in relation to a single Lender**

7.4.1 If:

(a) any sum payable to any Lender by the Borrowers is required to be increased under Clause 12.2.2 (*Tax gross-up*); or

(b) any Lender claims indemnification from the Borrowers under Clause 12.3 (*Tax indemnity*) or Clause 13.1 (*Increased costs*),

the Borrowers may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Agent notice of cancellation of the Commitment(s) of that Lender and their intention to procure the repayment of that Lender's participation in the Loan.

7.4.2 On receipt of a notice referred to in Clause 7.4.1 in relation to a Lender, the Commitment(s) of that Lender shall immediately be reduced to zero.

7.4.3 On the last day of the Interest Period in respect of each Tranche which ends after the Borrowers have given notice under Clause 7.4.1 in relation to a Lender (or, if earlier, the date specified by the Borrowers in that notice), the Borrowers shall repay that Lender's participation in that Tranche together with all interest and other amounts accrued under the Finance Documents.

7.5 **Mandatory prepayment on sale or Total Loss** If a Vessel is sold by a Borrower or becomes a Total Loss, the Borrowers shall, simultaneously with any such sale or on the earlier of the date falling 120 days after any such Total Loss and the date on which the proceeds of any such Total Loss are realised, (i) prepay the whole of the Tranche in respect of that Vessel then outstanding, (ii) terminate any Transaction in respect of the Tranche that is the subject of such prepayment and (iii) if necessary, prepay the Loan so that the VTL Ratio (calculated pursuant to Clause 17.12 (*Additional Security*) without including such Vessel in the calculation) will not fall below 140% as a result of the sale or Total Loss of such Vessel.

7.6 **Right of cancellation in relation to a Defaulting Lender** If any Lender becomes a Defaulting Lender, the Borrowers may, at any time whilst the Lender continues to be a Defaulting Lender, give the Agent five Business Days' notice of cancellation of the Commitment of that Lender. On that notice becoming effective, the Commitment of the Defaulting Lender shall immediately be reduced to zero. The Agent shall as soon as practicable after receipt of that notice notify all the Lenders.

7.7 **Restrictions** Any notice of prepayment or cancellation given under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment or cancellation is to be made and the amount of that prepayment or cancellation.

Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid, interest on the amount prepaid for the balance of any then current Interest Period and, subject to any Break Costs, without premium or penalty.

The Borrowers shall not repay, prepay or cancel all or any part of a Tranche except at the times and in the manner expressly provided for in this Agreement.

No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to the Borrowers or the affected Lender, as appropriate.

Section 5 Costs of Utilisation

8 Interest

8.1 **Calculation of interest** The rate of interest on each Tranche for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

8.1.1 Margin; and

8.1.2 LIBOR.

8.2 **Payment of interest** The Borrowers shall pay accrued interest on each Tranche on the last day of each Interest Period (and, if the Interest Period is longer than three months, on the dates falling at three monthly intervals after the first day of the Interest Period).

8.3 **Default interest** If the Borrowers fail to pay any amount payable by them under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent per annum higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Tranche in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrowers on demand by the Agent.

Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 **Notification of rates of interest** The Agent shall promptly notify the Borrowers of the determination of a rate of interest under this Agreement.

9 Interest Periods

9.1 **Selection of Interest Periods** The Borrowers may select in a written notice to the Agent the duration of an Interest Period for each Tranche subject as follows:

9.1.1 each notice is irrevocable and must be delivered to the Agent by the Borrowers not later than 11.00 a.m. on the Quotation Day;

9.1.2 if the Borrowers fail to give a notice in accordance with Clause 9.1.1, the relevant Interest Period will, subject to Clauses 9.2 (*Interest Periods to meet Repayment Dates*) and 9.3 (*Non-Business Days*), be three months;

9.1.3 subject to this Clause 9, the Borrowers may select an Interest Period of three or six months;

9.1.4 an Interest Period in respect of a Tranche shall not extend beyond the Termination Date; and

9.1.5 each Interest Period in respect of each Tranche shall start on the relevant Drawdown Date or (if that Tranche has already been advanced) on the last day of its preceding Interest Period and end on the date which numerically

corresponds to the relevant Drawdown Date or the last day of the preceding Interest Period in respect of that Tranche in the relevant calendar month except that, if there is no numerically corresponding date in that calendar month, the Interest Period in respect of that Tranche shall end on the last Business Day in that month.

9.2 **Interest Periods to meet Repayment Dates** If an Interest Period will expire after the next Repayment Date in respect of the relevant Tranche, there shall be a separate Interest Period for a part of that Tranche equal to the Repayment Instalment due on that next Repayment Date and that separate Interest Period shall expire on that next Repayment Date.

9.3 **Non-Business Days** If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 Changes to the Calculation of Interest

10.1 **Absence of quotations** Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by 11.00 am on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 **Market disruption** If a Market Disruption Event occurs for any Interest Period, then the rate of interest on each Lender's share of the Loan for that Interest Period shall be the percentage rate per annum which is the sum of:

10.2.1 the Margin; and

10.2.2 the rate notified to the Agent by that Lender as soon as practicable, and in any event by close of business on the date falling three Business Days after the Quotation Day (or, if earlier, on the date falling three Business Days prior to the date on which interest is due to be paid in respect of that Interest Period), to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in the Loan from whatever source it may reasonably select.

In this Agreement "**Market Disruption Event**" means:

(a) at or about noon on the Quotation Day for the relevant Interest Period LIBOR is to be determined by reference to the Reference Banks and:

(i) in the event there is only one Reference Bank, no Reference Bank; or

(ii) in the event there is more than one Reference Bank, only one of the Reference Banks,

supplies a rate to the Agent to determine LIBOR for dollars and the relevant Interest Period; or

(b) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in the Loan exceed $33^{1}/_{3}$% of the Loan) that the cost to it of funding its participation in the Loan from whatever source it may reasonably select would be in excess of LIBOR.

10.3 **Alternative basis of interest or funding**

10.3.1 If a Market Disruption Event occurs and the Agent or the Borrowers so require, the Agent and the Borrowers shall enter into negotiations (for a period of not more than fifteen days) with a view to agreeing a substitute basis for determining the rate of interest.

10.3.2 Any alternative basis agreed pursuant to Clause 10.3.1 shall, with the prior consent of all the Lenders and the Borrowers, be binding on all Parties.

10.3.3 If an alternative basis is not agreed pursuant to Clause 10.3.1, the Borrowers will immediately prepay the relevant Commitment together with Break Costs and the remaining Repayment Instalments shall be reduced pro rata.

10.4 **Break Costs** The Borrowers shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of the Loan or Unpaid Sum being paid by the Borrowers on a day other than the last day of an Interest Period for the Loan or Unpaid Sum.

Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 Fees

11.1 **Commitment fee** The Borrowers shall pay to the Agent (for the account of the Lenders in proportion to their Commitments) a fee computed at the rate of 1.375% per annum on the undrawn amount of each Tranche from 30 July 2015 until the end of the relevant Availability Period.

The accrued commitment fee in respect of each Tranche is payable on the last day of each successive period of three months which ends during the Availability Period in respect of the relevant Tranche, on the last day of the Availability Period in respect of the relevant Tranche, on each Drawdown Date in respect of the relevant Tranche and (on the cancelled amount of the relevant Lender's Commitment) at the time the cancellation is effective.

11.2 **Arrangement fee** The Borrowers shall pay to the Arranger (for its own account) an arrangement fee in the amount and at the times agreed in the Fee Letter.

11.3 **Structuring fee** The Borrowers shall pay to the Agent (for its own account) a structuring fee in the amount and at the times agreed in the Fee Letter.

11.4 **Agency fee** The Borrowers shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in the Fee Letter.

11.5 **Security Agent fee** The Borrowers shall pay to the Security Agent (for its own account) a security agent fee in the amount and at the times agreed in the Fee Letter.

Section 6 **Additional Payment Obligations**

12 **Tax Gross Up and Indemnities**

12.1 **Definitions** In this Agreement:

"**Protected Party**" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"**Tax Credit**" means a credit against, relief or remission for, or repayment of any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

"**Tax Payment**" means either the increase in a payment made by a Security Party to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

Unless a contrary indication appears, in this Clause 12 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

12.2 **Tax gross-up** Each Borrower shall (and shall procure that each other Security Party shall) make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law, subject as follows:

12.2.1 a Borrower shall promptly upon becoming aware that it or any other Security Party must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrowers and any such other Security Party;

12.2.2 if a Tax Deduction is required by law to be made by a Borrower or any other Security Party, the amount of the payment due from that Borrower or that other Security Party shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required;

12.2.3 if a Borrower or any other Security Party is required to make a Tax Deduction, that Borrower shall (or, as the case may be, the Borrowers shall procure that the Security Party in question 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; and

12.2.4 within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower making that Tax Deduction shall (or, as the case may be, the Borrowers shall procure that the Security Party in question shall) deliver to the Agent for the Finance

Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 **Tax indemnity**

12.3.1 Each Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

12.3.2 Clause 12.3.1 shall not apply:

(a) with respect to any Tax assessed on a Finance Party:

(i) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(ii) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or

(b) to the extent a loss, liability or cost:

(i) is compensated for by an increased payment under Clause 12.2 (Tax gross-up); or

(ii) relates to a FATCA Deduction required to be made by a Party.

12.3.3 A Protected Party making, or intending to make a claim under Clause 12.3.1 shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrowers.

12.3.4 A Protected Party shall, on receiving a payment from a Borrower under this Clause 12.3, notify the Agent.

12.4 **Tax Credit** If a Borrower or any other Security Party makes a Tax Payment and the relevant Finance Party determines that:

12.4.1 a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and

12.4.2 that Finance Party has obtained and utilised that Tax Credit,

that Finance Party shall pay an amount to that Borrower or to that other Security Party which that Finance Party determines will leave, it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by that Borrower or that other Security Party.

12.5 **Stamp taxes** The Borrowers shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 **VAT**

12.6.1 All amounts expressed to be payable under a Finance Document by any Party or any Security Party to a Finance Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to Clause 12.6.2, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party or any Security Party under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party or Security Party must pay to such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Finance Party must promptly provide an appropriate VAT invoice to the Borrowers).

12.6.2 If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party other than the Recipient (the "**Relevant Party**") is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):

(a) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this Clause 12.6.2(a) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and

(b) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.

12.6.3 Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

12.6.4 Any reference in this Clause 12.6 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994) or, where relevant, the equivalent in any relevant jurisdiction other than the United Kingdom.

12.6.5 In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

12.7 FATCA information

12.7.1 Subject to Clause 12.7.3, each Party shall, within ten Business Days of a reasonable request by another Party:

(a) confirm to that other Party whether it is:

(i) a FATCA Exempt Party; or

(ii) not a FATCA Exempt Party;

(b) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and

(c) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

12.7.2 If a Party confirms to another Party pursuant to Clause 12.7.1(a)(1) that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

12.7.3 Clause 12.7.1 shall not oblige any Finance Party to do anything, and Clause 12.7.1 (c) shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(a) any law or regulation;

(b) any fiduciary duty; or

(c) any duty of confidentiality.

12.7.4 If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with Clause 12.7.1(a) or 12.7.1(b) (including, for the avoidance of doubt, where Clause 12.7.3 applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

12.7.5 If a Borrower is a US Tax Obligor or the Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:

(a) where a Borrower is a US Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;

(b) where a Borrower is a US Tax Obligor on a Transfer Date and the relevant Lender is a New Lender, the relevant Transfer Date;

(c) the date a new US Tax Obligor accedes as a Borrower; or

(d) where a Borrower is not a US Tax Obligor, the date of a request from the Agent,

supply to the Agent:

(d) a withholding certificate on Form W-8, Form W-9 or any other relevant form; or

(e) any withholding statement or other document, authorisation or waiver as the Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.

The Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to this Clause 12.7.5 to the relevant Borrower.

12.7.6 If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Agent by a Lender pursuant to Clause 12.7.5 is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Agent unless it is unlawful for the Lender to do so (in which case the Lender shall promptly notify the Agent). The Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the relevant Borrower.

12.7.7 The Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to

Clause 12.7.5 or Clause 12.7.6 without further verification. The Agent shall not be liable for any action taken by it under or in connection with Clause 12.7.5 or Clause 12.7.6.

12.8 FATCA Deduction

12.8.1 Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

12.8.2 Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Borrowers and the Agent and the Agent shall notify the other Finance Parties.

13 Increased Costs

13.1 **Increased costs** Subject to Clause 13.3 (*Exceptions*) the Borrowers shall, within three Business Days of a demand by the Agent, pay to the Agent for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement or (iii) the implementation or application of or compliance with Basel III, CRR or CRD IV or any other law or regulation which implements Basel III, CRR or CRD IV (whether such implementation, application or compliance is by a government, regulator, that Finance Party or any of that Finance Party's Affiliates).

In this Agreement:

(a) "**Basel III**" means:

(i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(ii) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement - Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(iii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III".

(b) "**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended, supplemented or restated.

(c) "**CRR**" means Regulation EU No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation EU No 648/2012, as amended, supplemented or restated.

(d) "**Increased Costs**" means:

(i) a reduction in the rate of return from the Loan or on a Finance Party's (or its Affiliate's) overall capital;

(ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into any Finance Document or funding or performing its obligations under any Finance Document.

13.2 **Increased cost claims**

13.2.1 A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrowers.

13.2.2 Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 **Exceptions** Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

13.3.1 attributable to a Tax Deduction required by law to be made by a Borrower; 13.3.2 attributable to a FATCA Deduction required to be made by a Party;

13.3.3 compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 but was not so compensated solely because any of the exclusions in Clause 12.3 applied);

13.3.4 attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation; or

13.3.5 attributable to 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, Finance Party or any of its Affiliates).

In this Clause 13.3, a reference to a "**Tax Deduction**" has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 Other Indemnities

14.1 **Currency indemnity** If any sum due from a Borrower or a Guarantor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

14.1.1 making or filing a claim or proof against that Borrower or that Guarantor (as the case may be), or

14.1.2 obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Borrower or that Guarantor (as the case may be) shall as an independent obligation, within three Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (a) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (b) the rate or rates of exchange available to that Finance Party at the time of its receipt of that Sum.

Each Borrower and each Guarantor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

14.2.1 The Borrowers shall, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

(a) the occurrence of any Event of Default;

(b) a failure by a Borrower to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 28 (*Sharing among the Finance Parties*);

(c) funding, or making arrangements to fund, a Tranche following delivery by the Borrowers of a Drawdown Request but that Tranche not being advanced by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by a Finance Party alone); or

(d) a Tranche (or part of a Tranche) not being prepaid in accordance with a notice of prepayment given by the Borrowers.

14.2.2 The Borrowers shall promptly indemnify each Finance Party, each Affiliate of a Finance Party and each officer or employee of a Finance Party or its Affiliate (each such person for the purposes of this Clause 14.2 an "**Indemnified Person**") against any cost, loss or liability incurred by that Indemnified Person pursuant to or in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry, in connection with or arising out of the entry into and the transactions contemplated by the Finance Documents, having the benefit of any Encumbrance constituted by the Finance Documents or which relates to the condition or operation of, or any incident occurring in relation to, a Vessel or (as the case may be) the Collateral Vessel, unless such cost, loss or liability is caused by the gross negligence or wilful misconduct of that Indemnified Person.

14.2.3 Subject to any limitations set out in Clause 14.2.2, the indemnity in that Clause shall cover any cost, loss or liability incurred by each Indemnified Person in any jurisdiction:

(a) arising or asserted under or in connection with any law relating to safety at sea, the ISM Code, any Environmental Law or any Sanctions; or

(b) in connection with any Environmental Claim.

14.3 **Indemnity to the Agent** The Borrowers shall promptly indemnify the Agent against:

14.3.1 any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

(a) investigating any event which it reasonably believes is a Default; or

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or

(c) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers **or** experts as permitted under this Agreement; and

14.3.2 any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 29.12 (*Disruption to Payment Systems etc.*) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent under the Finance Documents.

14.4 **Indemnity to the Security Agent** The Borrowers and each Guarantor shall promptly indemnify the Security Agent and every Receiver and Delegate against any cost, loss or liability incurred by any of them as a result of:

14.4.1 any failure by the Borrowers to comply with their obligations under Clause 16 (*Costs and Expenses*);

14.4.2 acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

14.4.3 the taking, holding, protection or enforcement of the Security Documents;

14.4.4 the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent and each Receiver and Delegate by the Finance Documents or by law;

14.4.5 any default by any Security Party in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or

14.4.6 acting as Security Agent, Receiver or Delegate under the Finance Documents or which otherwise relates to any of the Charged Property (otherwise, in each case, than by reason of the relevant Security Agent's, Receiver's or Delegate's gross negligence or wilful misconduct).

14.5 **Indemnity survival** The indemnities contained in this Agreement shall survive repayment of the Loan.

15 Mitigation by the Lenders

15.1 **Mitigation** Each Finance Party shall, in consultation with the Borrowers, take all reasonable steps to mitigate any circumstances which arise and which would result in all or any part of the Loan ceasing to be available or any amount becoming payable under or pursuant to any of Clause 7.1 (*Illegality*), Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13 (*Increased Costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office. The above does not in any way limit the obligations of any Security Party under the Finance Documents.

15.2 **Limitation of liability** The Borrowers shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*). A Finance Party is not obliged to take any steps under Clause 15.1 if, in its opinion (acting reasonably), to do so might be prejudicial to it.

16 Costs and Expenses

16.1 **Transaction expenses** The Borrowers shall promptly on demand pay the Agent, the Security Agent and the Arranger the amount of all costs and expenses (including legal fees) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with:

16.1.1 the negotiation, preparation, printing, execution, syndication and perfection of this Agreement and any other documents referred to in this Agreement;

16.1.2 the negotiation, preparation, printing, execution and perfection of any other Finance Documents executed after the date of this Agreement;

16.1.3 any other document which may at any time be required by a Finance Party to give effect to any Finance Document or which a Finance Party is entitled to call for or obtain under any Finance Document (including, without limitation, any valuation of a Vessel or (as the case may be) the Collateral Vessel); and

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

16.2 **Amendment costs** If (a) a Security Party requests an amendment, waiver or consent or (b) an amendment Is required under Clause 29.11 (*Change of currency*), the Borrowers shall, within three Business Days of demand, reimburse each of the Agent and the Security Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent and the Security Agent (and, in the case of the Security Agent, by any Receiver or Delegate) in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 **Enforcement and preservation costs** The Borrowers shall, within three Business Days of demand, pay to each Finance Party and each other Secured Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document and any proceedings instituted by or against the Security Agent as a consequence of taking or holding the Security Documents or enforcing those rights including (without limitation) any losses, costs and expenses which that Finance Party or other Secured Party may from time to time sustain, incur or become liable for by reason of that Finance Party or other Secured Party being mortgagee of a Vessel and/or the Collateral Vessel and/or a lender to a Borrower, or by reason of that Finance Party or other Secured Party being deemed by any court or authority to be an operator or controller, or in any way concerned in the operation or control, of a Vessel or (as the case may be) the Collateral Vessel.

16.4 **Other costs** The Borrowers shall, within three Business Days of demand, pay to each Finance Party and each other Secured Party the amount of all sums which that Finance Party or other Secured Party may pay or become actually or contingently liable for on account of a Borrower in connection with a Vessel or (as the case may be) the Collateral Vessel (whether alone or jointly or jointly and severally with any other person) including (without limitation) all sums which that Finance Party or other Secured Party may pay or guarantees which it may give in respect of the Insurances, any expenses incurred by that Finance Party or other Secured Party in connection with the maintenance or repair of a Vessel or (as the case may be) the Collateral Vessel or in discharging any lien, bond or other claim relating in any way to a Vessel or (as the case may be) the Collateral Vessel, and any sums which that Finance Party or other Secured Party may pay or guarantees which it may give to procure the release of a Vessel or (as the case may be) the Collateral Vessel from arrest or detention.

Section 7 **Security and Application of Moneys**

17 **Security Documents and Application of Moneys**

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

17.1.1 first preferred mortgages over the Vessels;

17.1.2 first priority deeds of assignment of the Insurances, Earnings, Charter Rights and Requisition Compensation of the Vessels and the first priority assignments of Insurances from the Managers contained in the Manager's Undertakings;

17.1.3 a guarantee and indemnity from each Guarantor;

17.1.4 first priority account security deeds in respect of all amounts from time to time standing to the credit of each of the Accounts;

17.1.5 a first priority deed of pledge of the issued share capital in each Borrower; 17.1.6 first priority deeds of charge over the Master Agreement Proceeds;

17.1.7 if the Collateral Owner accedes to this Agreement as the Additional Guarantor pursuant to Clause 25.2 (*Additional Guarantor*), a first preferred mortgage over the Collateral Vessel; and

17.1.8 if the Collateral Owner accedes to this Agreement as the Additional Guarantor pursuant to Clause 25.2 (*Additional Guarantor*), a deed of assignment of the Insurances, Earnings, Charter Rights and Requisition Compensation of the Collateral Vessel.

17.2 **Accounts** The Borrowers shall maintain the Earnings Accounts with the Account Holder and the Original Guarantor shall maintain the Liquidity Account with the Account Holder, in each case for the duration of the Facility Period and each free of Encumbrances and rights of set off other than those created by or under the Finance Documents.

17.3 **Earnings** The Borrowers shall procure that all Earnings and any Requisition Compensation are credited to the Earnings Accounts.

17.4 **Application of Earnings Accounts** The Borrowers shall procure that there is transferred from the Earnings Accounts to the Agent for the account of the Lenders:

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

17.4.2 on each Interest Payment Date, the amount of interest then due, and the Borrowers irrevocably authorise the Security Agent to instruct the Account Holder to make those transfers.

17.5 **Borrowers' obligations not affected** If for any reason the amount standing to the credit of the Earnings Accounts is insufficient to pay any Repayment Instalment or to make any payment of interest when due, the Borrowers' obligation to pay that Repayment Instalment or to make that payment of interest shall not be affected.

17.6 **Release of surplus** Any amount remaining to the credit of the Earnings Accounts following the making of any transfer required by Clause 17.4 (*Application of Earnings Accounts*) shall (provided that no Event of Default is continuing and further provided that no payment is due to the Finance Parties pursuant to the Finance Documents) be released to or to the order of the Borrowers. The Accounts shall not be overdrawn. The Original Guarantor shall not be permitted to withdraw sums from the Liquidity Account save for sums that are in excess of the balances set out in Clause 17.14 (*Liquidity Account*) or otherwise with the prior written consent of the Agent.

17.7 **Relocation of Accounts** At any time following the occurrence and during the continuation of a Default, the Security Agent may without the consent of the Borrowers or (as the case may be) the Original Guarantor instruct the Account Holder to relocate any Account to any other branch of the Account Holder, without prejudice to the continued application of this Clause 17 and the rights of the Finance Parties under the Finance Documents.

17.8 **Access to information** The Borrowers and the Original Guarantor agree that the Security Agent (and its nominees) may from time to time during the Facility Period review the records held by the Account Holder (whether in written or electronic form) in relation to the relevant Accounts, and irrevocably waive any right of confidentiality which may exist in relation to those records.

17.9 **Application after acceleration** From and after the giving of notice to the Borrowers by the Agent under Clause 23.2 (*Acceleration*), the Borrowers and the Original Guarantor shall procure that all sums from time to time standing to the credit of any Account are immediately transferred to the Security Agent or any Receiver or Delegate for application in accordance with Clause 17.10 (*Application of moneys by Security Agent*) and the Borrowers and the Original Guarantor irrevocably authorise the Security Agent to instruct the Account Holder to make those transfers.

17.10 **Application of moneys by Security Agent** The Borrowers and the Finance Parties irrevocably authorise the Security Agent or any Receiver or Delegate to apply all moneys which it receives and is entitled to receive:

17.10.1 pursuant to a sale or other disposition of a Vessel or (as the case may be) the Collateral Vessel or any right, title or interest in a Vessel or (as the case may be) the Collateral Vessel; or

17.10.2 by way of payment of any sum in respect of the Insurances, Earnings, Charter Rights or Requisition Compensation; or

17.10.3 by way of transfer of any sum from any Account; or

17.10.4 otherwise under or in connection with any Security Document, in or towards satisfaction of the Indebtedness in the following order:

17.10.5 first, any unpaid fees, costs, expenses and default interest due to the Agent and the Security Agent (and, in the case of the Security Agent, to any Receiver or Delegate) under all or any of the Finance Documents, such application to be apportioned between the Agent and the Security Agent pro rata to the aggregate amount of such items due to each of them;

17.10.6 second, any unpaid fees, costs, expenses (including any sums paid by the Lenders under Clause 26.11 (*Indemnity*)) of the Lenders due under this Agreement, such application to be apportioned between the Lenders pro rata to the aggregate amount of such items due to each of them;

17.10.7 third, any accrued but unpaid default interest due to the Lenders under this Agreement, such application to be apportioned between the Lenders pro rata to the aggregate amount of such default interest due to each of them;

17.10.8 fourth, any other accrued but unpaid interest due to the Lenders under this Agreement, such application to be apportioned between the Lenders pro rata to the aggregate amount of such interest due to each of them;

17.10.9 fifth, any principal of the Loan due and payable but unpaid under this Agreement, such application to be apportioned between the Lenders pro rata to the aggregate amount of such principal due to each of them; and

17.10.10 sixth, any other sum due and payable to any Finance Party but unpaid under all or any of the Finance Documents, such application to be apportioned between the Finance Parties pro rata to the aggregate amount of any such sum due to each of them;

Provided that any part of the Indebtedness arising out of any Master Agreement shall be satisfied on a *pari passu* basis with any repayment of the principal of the Loan; and

Provided that the balance (if any) of the moneys received shall be paid to the Security Parties from whom or from whose assets those sums were received or recovered or to any other person entitled to them.

17.11 **Retention on account** Moneys to be applied by the Security Agent or any Receiver or Delegate under Clause 17.10 (*Application of moneys by Security Agent*) shall be applied as soon as practicable after the relevant moneys are received by it, or otherwise become available to it, save that (without prejudice to any other provisions contained in any of the Security Documents) the Security Agent or any Receiver or Delegate may retain any such moneys by crediting them to a suspense account for so long and in such manner as the Security Agent or such Receiver or Delegate may from time to time determine with a view to preserving the rights of the Finance Parties or any of them to prove for the whole of the Indebtedness (or any relevant part) against the Borrowers or any of them or any other person liable.

17.12 **Additional security** If at any time the aggregate of the Market Value of the Vessels, the Collateral Vessel and the value of any additional security (such value to be the face amount of the deposit (in the case of cash), determined conclusively by appropriate advisers appointed by the Agent (in the case of other charged assets), and determined by the Agent in its discretion (in all other cases)) for the time being

provided to the Security Agent under this Clause 17.12 is less than 140% of the aggregate of the amount of the Loan then outstanding and the amount certified by each Swap Provider to be the amount which would be payable by the Borrowers to each Swap Provider under each Master Agreement if an Early Termination Date were to occur at that time (the "**VTL Ratio**") the Borrowers shall, within 30 days of the Agent's request, at the Borrowers' option:

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

17.12.2 provide the Security Agent with additional security in amount and form acceptable to the Security Agent in its discretion; or

17.12.3 prepay the Loan in the amount of the shortfall.

Clauses 6.3 (*Reborrowing*), 7.3.2 (*Voluntary prepayment of Loan*) and 7.7 (*Restrictions*) shall apply, *mutatis mutandis*, to any prepayment made under this Clause 17.12 and the value of any additional security provided shall be determined by the Agent in its discretion.

17.13 **Valuations** For the purpose of calculating compliance with Clause 17.12 (**Additional** *Security*) and the valuations required pursuant to Clause 4.1 (*Initial Conditions Precedent*) and Clause 7.5 (*Mandatory prepayment on sale or Total Loss*), the Market Value of a Vessel or (as the case may be) the Collateral Vessel shall be determined from time to time (at the cost of the Borrowers up to twice annually) by means of a valuation made by an Approved Broker appointed by the Agent (the "**First Valuation**"). The Borrowers may either:

17.13.1 accept the valuation set out in the First Valuation as conclusive evidence of the Market Value of the relevant Vessel or (as the case may be) the Collateral Vessel at the date of such First Valuation; or

17.13.2 within ten days of receipt of the First Valuation from the Agent, appoint a second Approved Broker (at the Borrowers' expense) to provide a second valuation (the "**Second Valuation**") addressed to the Agent and given on the same basis as the First Valuation. In the event that the Borrowers obtain a Second Valuation, the average of the First Valuation and the Second Valuation shall be taken to establish the Market Value of the relevant Vessel or (as the case may be) the Collateral Vessel.

17.14 **Liquidity Account** The Original Guarantor shall procure that from the date of this Agreement, a balance of $8,000,000 shall be credited to the Liquidity Account, increasing to $9,000,000 from the first Drawdown Date in respect of a New Vessel Tranche.

18 Guarantee and Indemnity

18.1 **Guarantee and indemnity** Each Guarantor irrevocably and unconditionally jointly and severally:

18.1.1 guarantees to each Finance Party punctual performance by each other Security Party of all that Security Party's obligations under the Finance Documents;

18.1.2 undertakes with each Finance Party that whenever another Security Party does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

18.1.3 agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of a Security Party not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 18 if the amount claimed had been recoverable on the basis of a guarantee.

18.2 **Continuing Guarantee** This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Security Party under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

18.3 **Reinstatement** If any discharge, release or arrangement (whether in respect of the obligations of any Security Party or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 18 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

18.4 **Waiver of defences** The obligations of each Guarantor under this Clause 18 will not be affected by an act, omission, matter or thing which, but for this Clause 18.4, would reduce, release or prejudice any of its obligations under this Clause 18 (without limitation and whether or not known to it or any Finance Party) including:

18.4.1 any time, waiver or consent granted to, or composition with, any Security Party or other person;

18.4.2 the release of any other Security Party or any other person under the terms of any composition or arrangement with any creditor of any Security Party;

18.4.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Security Party or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

18.4.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of a Security Party or any other person;

18.4.5 any amendment, novation, supplement, extension restatement (however fundamental and whether or not more onerous) or replacement of a Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Finance Document or other document or security;

18.4.6 any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or

18.4.7 any insolvency or similar proceedings.

18.5 **Guarantor intent** Without prejudice to the generality of Clause 18.4 (*Waiver of defences*), each Guarantor expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Finance Documents and/or any facility or amount made available under any of the Finance Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

18.6 **Immediate recourse** Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 18. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

18.7 **Appropriations** Until all amounts which may be or become payable by the Security Parties under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

18.7.1 refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

18.7.2 hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 18.

18.8 **Deferral of Guarantors' rights** Until all amounts which may be or become payable by the Security Parties under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it

of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 18:

18.8.1 to be indemnified by a Security Party;

18.8.2 to claim any contribution from any other guarantor of any Security Party's obligations under the Finance Documents;

18.8.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;

18.8.4 to bring legal or other proceedings for an order requiring any Security Party to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 18.1 (*Guarantee and indemnity*);

18.8.5 to exercise any right of set-off against any Security Party; and/or

18.8.6 to claim or prove as a creditor of any Security Party in competition with any Finance Party.

If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Security Parties under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 29 (*Payment mechanics*).

18.9 **Additional security** This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

18.10 **Subordination** Each Guarantor agrees and undertakes with the Finance Parties that all claims of whatsoever nature which it has or may have at any time against the Borrowers or any of them or any other Security Party or any of their respective property or assets shall rank after and be in all respects subordinate to any and all claims, whether actual or contingent, which the Finance Parties have or may have at any time against the Borrowers or any of them or such other Security Party or any of its property or assets and that it will not without the prior written consent of the Agent (acting on the instructions of the Majority Lenders):

18.10.1 demand or accept payment in whole or in part of any moneys owing to it by the Borrowers or any of them or any other Security Party;

18.10.2 take any steps to enforce its rights to recover any moneys owing to it by the Borrowers or any of them or any other Security Party and more particularly (but without limitation) take or issue any judicial or other legal proceedings against the Borrowers or any of them or other Security Party or any of their respective property or assets; or

18.10.3 prove in the liquidation or other dissolution of the Borrowers or any of them or other Security Party in competition with a Finance Party.

Section 8 **Representations, Undertakings and Events of Default**

19 Representations

19.1 **Representations** Each Borrower and each Guarantor makes the representations and warranties set out in this Clause 19 to each Finance Party.

19.1.1 **Status** Each of the Security Parties:

(a) is a limited liability corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation; and

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

19.1.2 **Binding obligations** Subject to the Legal Reservations:

(a) the obligations expressed to be assumed by each of the Security Parties in each of the Relevant Documents to which it is a party are legal, valid, binding and enforceable obligations; and

(b) (without limiting the generality of Clause 19.1.2(a)) each Security Document to which it is a party creates the security interests which that Security Document purports to create and those security interests are valid and effective.

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

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

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

(c) any agreement or instrument binding upon such Security Party or any of such Security Party's assets or constitute a default or termination event (however described) under any such agreement or instrument.

19.1.4 **Power and authority**

(a) Each of the Security Parties has .the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Relevant Documents to which it is or will be a party and the transactions contemplated by those Relevant Documents.

(b) No limit on the powers of any Security Party will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Relevant Documents to which it is a party.

19.1.5 **Validity and admissibility in evidence** All Authorisations required or desirable:

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

(b) to make the Relevant Documents to which any Security Party is a party admissible in evidence in its Relevant Jurisdictions, have been obtained or effected and are in full force and effect, with the exception only of the registrations referred to in Part II of Schedule 2 (*Conditions Subsequent*).

19.1.6 **Governing law and enforcement**

(a) The choice of governing law of any Finance Document will be recognised and enforced in the Relevant Jurisdictions of each relevant Security Party.

(b) Any judgment obtained in relation to any Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in the Relevant Jurisdictions of each relevant Security Party.

19.1.7 **Insolvency** No corporate action, legal proceeding or other procedure or step described in Clause 23.1.7 (*Insolvency proceedings*) or creditors' process described in Clause 23.1.8 (*Creditors' process*) has been taken or, to the knowledge of any Borrower or any Guarantor, threatened in relation to a Security Party; and none of the circumstances described in Clause 23.1.6 (*Insolvency*) applies to a Security Party.

19.1.8 **No filing or stamp taxes** Under the laws of the Relevant Jurisdictions of each relevant Security Party it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in any of those jurisdictions or that any stamp, registration, notarial or similar tax or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except for registration of each Mortgage and any Collateral Mortgage at the Ships Registry where title to the relevant Vessel and (as the case may be) the Collateral Vessel is registered in the ownership of the relevant Borrower or (as the case may be) the Collateral Owner and payment of associated fees, which registrations, filings, taxes and fees will be made and paid promptly after the date of the relevant Finance Document.

19.1.9 **Deduction of Tax** None of the Security Parties is required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Lender.

19.1.10 **No default**

(a) No Event of Default and, on the date of this Agreement and each Drawdown Date, no Default is continuing or is reasonably likely to

result from the advance of any Tranche or the entry into, the performance of, or any transaction contemplated by, any of the Relevant Documents.

(b) No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on any of the Security Parties or to which its assets are subject which has or is reasonably likely to have a Material Adverse Effect.

19.1.11 **No misleading information** Save as disclosed in writing to the Agent and the Arranger prior to the date of this Agreement:

(a) all material information provided to a Finance Party by or on behalf of any of the Security Parties on or before the date of this Agreement and not superseded before that date is accurate and not misleading in any material respect and all projections provided to any Finance Party on or before the date of this Agreement have been prepared in good faith on the basis of assumptions which were reasonable at the time at which they were prepared and supplied; and

(b) all other written information provided by any of the Security Parties (including its advisers) to a Finance Party was true, complete and accurate in all material respects as at the date it was provided and is not misleading in any respect.

19.1.12 **Financial statements**

(a) The Original Financial Statements were prepared in accordance with GAAP consistently applied.

(b) The Original Financial Statements give a true and fair view of the Original Guarantor's financial condition and results of operations during the relevant financial year.

(c) There has been no material adverse change in the Original Guarantor's assets, business or financial condition since the date of the Original Financial Statements save as disclosed to the Agent prior to the date of this Agreement.

(d) The Original Guarantor's most recent financial statements delivered pursuant to Clause 20.1 (*Financial statements*):

(i) have been prepared in accordance with GAAP as applied to the Original Financial Statements; and

(ii) give a true and fair view of (if audited) or fairly represent (if unaudited) its consolidated financial condition as at the

end of, and consolidated results of operations for, the period to which they relate.

(e) Since the date of the most recent financial statements delivered pursuant to Clause 20.1 (*Financial statements*) there has been no material adverse change in the business, assets or financial condition of the Original Guarantor.

19.1.13 **No proceedings pending or threatened** No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, are reasonably likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started against any of the Security Parties.

19.1.14 **No breach of laws** None of the Security Parties has breached any law or regulation which breach has or is reasonably likely to have a Material Adverse Effect.

19.1.15 **Environmental laws**

(a) Each of the Security Parties is in compliance with Clause 22.3 (*Environmental compliance*) and to the best of its knowledge and belief (having made due and careful enquiry) no circumstances have occurred which would prevent such compliance in a manner or to an extent which has or is reasonably likely to have a Material Adverse Effect.

(b) No Environmental Claim has been commenced against any of the Security Parties where that claim has or is reasonably likely, if determined against that Security Party, to have a Material Adverse Effect.

19.1.16 **Taxation**

(a) None of the Security Parties is materially overdue in the filing of any Tax returns or is overdue in the payment of any amount in respect of Tax.

(b) No claims or investigations are being made or conducted against any of the Security Parties with respect to Taxes the aggregate of such claims or investigations being more than $50,000 for any Security Party.

19.1.17 **Anti-corruption law** Each of the Security Parties and each Affiliate of any of them has conducted its businesses in compliance with applicable anti-corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

19.1.18 **No Encumbrance or Financial Indebtedness**

(a) Other than a Permitted Encumbrance, no Encumbrance exists over all or any of the present or future assets of any of the Borrowers.

(b) None of the Borrowers has any Financial Indebtedness outstanding other than as permitted by this Agreement.

19.1.19 **Pad passu ranking** The payment obligations of each of the Security Parties 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.

19.1.20 **No adverse consequences**

(a) It is not necessary under the laws of the Relevant Jurisdictions of any of the Security Parties:

(i) in order to enable any Finance Party to enforce its rights under any Finance Document; or

(ii) by reason of the execution of any Finance Document or the performance by it of its obligations under any Finance Document,

that any Finance Party should be licensed, qualified or otherwise entitled to carry on business in any of the Relevant Jurisdictions of any of the Security Parties.

(b) No Finance Party is or will be deemed to be resident, domiciled or carrying on business in any of the Relevant Jurisdictions of any of the Security Parties by reason only of the execution, performance and/or enforcement of any Finance Document.

19.1.21 **Disclosure of material facts** No Borrower is aware of any material facts or circumstances which have not been disclosed to the Agent and which might, if disclosed, have adversely affected the decision of a person considering whether or not to make loan facilities of the nature contemplated by this Agreement available to the Borrowers.

19.1.22 **Completeness of Relevant Documents** The copies of any Relevant Documents provided or to be provided by the Borrowers to the Agent in accordance with Clause 4 (*Conditions of Utilisation*) are, or will be, true and accurate copies of the originals and represent, or will represent, the full agreement between the parties to those Relevant Documents in relation to the subject matter of those Relevant Documents and there are no commissions, rebates, premiums or other payments due or to become due in connection with the subject matter of those Relevant Documents other than in the ordinary course of business or as disclosed to, and approved in writing by, the Agent.

19.1.23 **No Immunity** No Security Party or any of its assets is immune to any legal action or proceeding.

19.1.24 **Money laundering** Any borrowing by a Borrower under this Agreement, and the performance of its obligations under this Agreement and under the other Finance Documents, will be for its own account and will not involve

any breach by it of any law or regulatory measure relating to "**money laundering**" as defined in Article 1 of the Directive (2005/EC/60) of the European Parliament and of the Council of the European Communities.

19.1.25 **Sanctions** As regards Sanctions:

(a) None of the Security Parties or any Affiliate of any of them is a Prohibited Person or is owned or controlled by, or acting directly or indirectly on behalf of or for the benefit of, a Prohibited Person and none of such persons owns or controls a Prohibited Person.

(b) No proceeds of the Loan shall be made available, directly or indirectly, to or for the benefit of a Prohibited Person or otherwise shall be, directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions.

(c) Each of the Security Parties and each Affiliate of any of them is in compliance with all Sanctions.

19.2 **Repetition** Each Repeating Representation is deemed to be repeated by each Borrower and each Guarantor by reference to the facts and circumstances then existing on the date of each Drawdown Request, on each Drawdown Date, on the first day of each Interest Period and, in the case or those contained in Clauses 19.1.12(c) and 19.1.12(e) (*Financial statements*) and for so long as any amount is outstanding under the Finance Documents or any Commitment is in force, on each day after the date of this Agreement.

20 Information Undertakings

The undertakings in this Clause 20 remain in force for the duration of the Facility Period.

20.1 **Financial statements** The Original Guarantor shall supply to the Agent in sufficient copies for all of the Lenders:

20.1.1 as soon as the same become available, but in any event within 180 days after the end of each of its financial years, its audited consolidated financial statements for that financial year; and

20.1.2 as soon as the same become available, but in any event within 90 days after the end of each quarter during each of its financial years, its unaudited, consolidated financial statements for that quarter in the form in which they were published in the relevant press release.

20.2 **Compliance Certificate**

20.2.1 The Original Guarantor shall supply to the Agent, with each set of its annual financial statements delivered pursuant to Clause 20.1.1 (*Financial statements*) and each set of its quarterly financial statements delivered pursuant to Clause 20.1.2 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 21 (*Financial Covenants*) as at the date as at which those financial statements were drawn up.

20.2.2 Each Compliance Certificate shall be signed by two officers of the Original Guarantor.

20.3 **Requirements as to financial statements**

Each set of financial statements delivered under Clause 20.1 (*Financial statements*):

20.3.1 shall be certified by the Chief Financial Officer of the Original Guarantor as giving a true and fair view of (in the case of annual financial statements), or fairly representing (in other cases), its financial condition as at the date as at which those financial statements were drawn up; and

20.3.2 shall be prepared using GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Agent:

(a) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and

(b) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Agent to determine whether Clause 21 (*Financial Covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements.

Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

20.4 **Information: miscellaneous** Each Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

20.4.1 at the same time as they are dispatched, copies of all documents dispatched by that Borrower to its shareholders generally (or any class of them) or dispatched by that Borrower or any other Security Party to its creditors generally (or any class of them);

20.4.2 promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any Security Party and which, if adversely determined, are reasonably likely to have a Material Adverse Effect;

20.4.3 promptly, such information as the Security Agent may reasonably require about the Charged Property and compliance of the Security Parties with the terms of any Security Documents including without limitation cash flow analyses and details of the operating costs of any Vessel and the Collateral Vessel;

20.4.4 promptly on request, such further information regarding the financial condition, assets and operations of any Security Party (including any requested amplification or explanation of any item in the financial statements, budgets or other material provided by any Security Party under this Agreement and an up to date copy of its shareholders' register (or equivalent in its Original Jurisdiction)) as any Finance Party through the Agent may reasonably request; and

20.4.5 promptly on request, any other document, authorisation, opinion or assurance as any Finance Party through the Agent may request.

20.5 **Notification of default**

20.5.1 Each Borrower and each Guarantor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

20.5.2 Promptly upon a request by the Agent, each Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

20.6 **"Know your customer" checks**

20.6.1 If:

(a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement or in any internal requirement of a Finance Party;

(b) any change in the status of a 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 Clause 20.6.1(c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in Clause 20.6.1(c), on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in Clause 20.6.1(c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

20.6.2 Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

21 Financial covenants

21.1 **Financial covenants** The Original Guarantor shall maintain throughout the Facility Period:

21.1.1 a ratio of Consolidated Net Debt to Consolidated Market Adjusted Assets less Consolidated Cash and Cash Equivalents of not greater than 0.6:1;

21.1.2 Consolidated Market Adjusted Net Worth of not less than $100,000,000;

21.1.3 a ratio of Consolidated Operating Cash Flow to Consolidated Interest Costs in respect of the preceding 12 month period of at least 2.5:1; and

21.1.4 an aggregate of Unrestricted Consolidated Cash and Cash Equivalents and the amount standing to the credit of the Liquidity Account and the Earnings Accounts, of at least $500,000 per vessel in the Fleet.

21.2 **Financial covenant definitions** In this Clause 21, the following definitions shall apply:

"**Consolidated Cash and Cash Equivalents**" means in respect of each member of the Group, at any time, the aggregate amount of:

(a) cash in hand or on deposit with a bank acceptable to the Agent (acting on the instructions of the Majority Lenders);

(b) certificates of deposit, maturing within one year issued by a bank acceptable to the Agent (acting on the instructions of the Majority Lenders);

(c) open market commercial paper issued by any OECD country maturing within one year, for which a recognised trading market exists and which has a credit rating of A-I by Standard and Poor's Ratings Group or P-I by Moody's Investors Service, Inc; and

(d) other instruments, securities or investments approved in writing by the Agent (acting on the instructions of the Majority Lenders), but excluding any amounts subject to any Encumbrance in connection with contingent/off-balance sheet obligations. For the avoidance of doubt, restricted cash required under any loan agreement shall be included in the "Consolidated Cash and Cash Equivalents".

"**Consolidated Debt**" means in respect of each member of the Group, at any time, the aggregate liabilities resulting from:

(a) moneys borrowed from all sources;

(b) any bonds, notes, loan stock, debentures or similar instruments;

(c) acceptance credits, bills of exchange or documentary credits;

(d) share issues on the basis that they are, or may become, redeemable (at redemption value) and are classified as liabilities under GAAP;

(e) gross obligations under finance leases;

(f) factoring of debts; and

(g) amounts raised, or obligations incurred, in respect of any other transaction, which has the commercial effect of borrowing as determined in accordance with GAAP,

but excluding any such liabilities between members of the Group. For the avoidance of doubt, all amounts outstanding pursuant to the DSI Loan are included in this definition.

"**Consolidated Interest Costs**" means in respect of each member of the Group, at any time, the aggregate amount of all interest incurred and any net amounts payable under interest rate hedging agreements, but excluding any such liabilities between members of the Group. For the avoidance of doubt, all amounts incurred pursuant to the DSI Loan are included in this definition.

"**Consolidated Market Adjusted Assets**" means, at any time, the aggregate amount of:

(a) (i) the Market Value of all Vessels based on the most recent valuations obtained pursuant to Clause 17.13 (*Valuations*) and (ii) the market value of all other vessels in the Fleet (based on a valuation made by an Approved Broker at the cost of the Borrowers on the basis of a charter-free sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing seller and a willing buyer, which valuations the Agent may request if either an Event of Default is continuing or the Agent reasonably believes the calculations contained in any Compliance Certificate are inaccurate);

(b) in respect of each member of the Group, the aggregate net book value of all tangible fixed assets classified in accordance with GAAP;

(c) in respect of each member of the Group, the aggregate of trade and other receivables realisable within one year, and inventories and prepaid expenses which are to be charged to income within one year classified in accordance with GAAP, but excluding any such assets between members of the Group and any doubtful debts, but including all other non-current assets classified in accordance with GAAP; and

(d) Consolidated Cash and Cash Equivalents.

"**Consolidated Market Adjusted Net Worth**" means Consolidated Market Adjusted Assets less Consolidated Debt and Consolidated Other Liabilities.

"**Consolidated Net Debt**" means Consolidated Debt and Consolidated Other Liabilities, less Consolidated Cash and Cash Equivalents.

"**Consolidated Operating Cash Flow**" means the aggregate of the revenue generated by the Fleet less the expenses in connection with the operation, employment, maintenance, repair, insurance and administration of the Fleet.

"**Consolidated Other Liabilities**" means in respect of each member of the Group, at any time, the aggregate amounts of:

(a) accounts payable;

(b) accrued liabilities;

(c) deferred liabilities; and

(d) any other liabilities as determined in accordance with GAAP,

but excluding any such liabilities between members of the Group.

"**Unrestricted Consolidated Cash and Cash Equivalents**" means the aggregate amounts of Consolidated Cash and Cash Equivalents that are not subject to any Encumbrance.

22 General Undertakings

The undertakings in this Clause 22 remain in force for the duration of the Facility Period.

22.1 **Authorisations** Each Borrower and each Guarantor shall promptly:

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

22.1.2 supply certified copies to the Agent of, any Authorisation required under any law or regulation of a Relevant Jurisdiction to:

(a) enable any Security Party to perform its obligations under the Finance Documents to which it is a party;

(b) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document; and

(c) enable any Security Party to carry on its business where failure to do so has or is reasonably likely to have a Material Adverse Effect.

22.2 **Compliance with laws**

22.2.1 Each Borrower and each Guarantor shall comply (and shall procure that each other Security Party and each Affiliate of any of them shall comply), in all respects with all laws to which it may be subject, if (except as regards Sanctions, to which Clause 22.2.2 applies, and anti-corruption laws, to which Clause 22.5 applies) failure so to comply has or is reasonably likely to have a Material Adverse Effect.

22.2.2 Each Borrower and each Guarantor shall comply (and shall procure that each other Security Party and each Affiliate of any of them shall comply) in all respects with all Sanctions.

22.3 **Environmental compliance**

Each Borrower and each Guarantor shall (and shall procure that each other Security Party shall comply):

22.3.1 comply with all Environmental Laws;

22.3.2 obtain, maintain and ensure compliance with all requisite Environmental Approvals; and

22.3.3 implement procedures to monitor compliance with and to prevent liability under any Environmental Law, where failure to do so has or is reasonably likely to have a Material Adverse Effect.

22.4 **Environmental Claims**

Each Borrower and each Guarantor shall promptly upon becoming aware of the same, inform the Agent in writing of:

22.4.1 any Environmental Claim against any of the Security Parties which is current, pending or threatened; and

22.4.2 any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened against any of the Security Parties, where the claim, if determined against that Security Party, has or is reasonably likely to have a Material Adverse Effect.

22.5 **Anti-corruption law**

22.5.1 Each Borrower and each Guarantor shall not (and shall procure that no other Security Party will) directly or indirectly use the proceeds of the Loan for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other jurisdictions.

22.5.2 Each Borrower and each Guarantor shall (and shall procure that each other Security Party shall):

(a) conduct its businesses in compliance with applicable anti-corruption laws; and

(b) maintain policies and procedures designed to promote and achieve compliance with such laws.

22.6 **Taxation**

22.6.1 Each Borrower and each Guarantor shall (and shall procure that each other Security Party shall) pay and discharge all Taxes imposed upon it or its

assets within the time period allowed without incurring penalties unless and only to the extent that:

(a) such payment is being contested in good faith;

(b) adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements delivered to the Agent under Clause 20.1 (*Financial statements*); and

(c) such payment can be lawfully withheld and failure to pay those Taxes does not have or is not reasonably likely to have a Material Adverse Effect.

22.6.2 Neither any Borrower nor any Guarantor may (and no other Security Party may) change its residence for Tax purposes.

22.7 **Evidence of good standing** Each Borrower will from time to time if requested by the Agent provide the Agent with evidence in form and substance satisfactory to the Agent that the Security Parties and all corporate shareholders of any of the Security Parties (other than of the Original Guarantor) remain in good standing.

22.8 **Pari passu ranking** Each Borrower and each Guarantor shall ensure that at all times any unsecured and unsubordinated claims of a Finance Party against it under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

22.9 **Negative pledge**

Except as permitted under Clause 22.9.3:

22.9.1 No Borrower shall and the Collateral Owner shall not create nor permit to subsist any Encumbrance over any of its assets.

22.9.2 No Borrower shall and the Collateral Owner shall not:

(a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by a Security Party;

(b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

22.9.3 Clauses 22.9.1 and 22.9.2 do not apply to any Encumbrance which is a Permitted Encumbrance.

22.10 **Disposals**

22.10.1 Except as permitted under Clause 22.10.2, no Borrower shall and the Collateral Owner shall not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.

22.10.2 Clause 22.10.1 does not apply to any sale, lease, transfer or other disposal which is a Permitted Disposal.

22.11 **Arm's length basis**

22.11.1 Except as permitted under Clause 22.11.2, no Borrower shall and the Collateral Owner shall not enter into any transaction with any person except on arm's length terms and for full market value.

22.11.2 Fees, costs and expenses payable under the Relevant Documents in the amounts set out in the Relevant Documents delivered to the Agent under Clause 4.1 (*Initial conditions precedent*) or agreed by the Agent shall not be a breach of this Clause 22.11.

22.12 **Merger** No Borrower shall and the Collateral Owner shall not enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction.

22.13 **Original Guarantor change of name** The Original Guarantor shall not change its name.

22.14 **Change of business** No Borrower shall and the Collateral Owner shall not make any substantial change to the general nature of its business from that carried on at the date of this Agreement.

22.15 **No other business** No Borrower shall and the Collateral Owner shall not engage in any business other than the ownership, operation, chartering and management of the relevant Vessel or (as the case may be) the Collateral Vessel.

22.16 **No acquisitions** No Borrower shall and the Collateral Owner shall not acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them) or incorporate a company.

22.17 **No Joint Ventures** No Borrower shall and the Collateral Owner shall not:

22.17.1 enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture; or

22.17.2 transfer any assets or lend to or guarantee or give an indemnity for or give security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing).

22.18 **No borrowings** No Borrower shall and the Collateral Owner shall not incur or allow to remain outstanding any Financial Indebtedness (except for the Loan).

22.19 **No substantial liabilities** Except in the ordinary course of business, no Borrower shall and the Collateral Owner shall not incur any liability to any third party which is in the Agent's opinion of a substantial nature.

22.20 **No loans or credit** No Borrower shall and the Collateral Owner shall not be a creditor in respect of any Financial Indebtedness.

22.21 **No guarantees or indemnities** No Borrower shall and the Collateral Owner shall not incur or allow to remain outstanding any guarantee in respect of any obligation of any person.

22.22 **No dividends**

22.22.1 No Borrower nor any Guarantor shall:

(a) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);

(b) repay or distribute any dividend or share premium reserve; or

(c) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so,

if to do so would result in a breach of Clause 21 (*Financial Covenants*) or if an Event of Default is confirming, or, in respect of the Borrowers only, issue any new shares in its share capital or resolve to do so which would not be subject to a Shares Pledge.

22.23 **No change in Relevant Documents** Neither any Borrower nor any Guarantor shall (and the Borrowers shall procure that no other Security Party will) amend, vary, novate, supplement, supersede, waive or terminate any term of, any of the Relevant Documents (other than the Original Guarantor's constitutional documents) which are not Finance Documents.

22.24 **Further assurance**

22.24.1 Each Borrower and each Guarantor shall (and shall procure that each other Security Party shall) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may reasonably require in favour of the Security Agent or its nominee(s)):

(a) to perfect any Encumbrance created or intended to be created under or evidenced by the Security Documents (which may include the execution of a mortgage, charge, assignment or other Encumbrance over all or any of the assets which are, or are intended to be, the subject of the Security Documents) or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law;

(b) to confer on the Security Agent or confer on the Finance Parties an Encumbrance over any property and assets of that Borrower (or that other Security Party as the case may be) located in any jurisdiction equivalent or similar to the Encumbrance intended to be conferred by or pursuant to the Security Documents; and/or

(c) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Security Documents.

22.24.2 Each Borrower and each Guarantor shall (and shall procure that each other Security Party shall) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Encumbrance conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

22.25 **No dealings with Master Agreements** No Borrower shall assign, novate or encumber or in any other way transfer any of its rights or obligations under any Master Agreement, nor enter into any interest rate exchange or hedging agreement with anyone other than a Swap Provider.

22.26 **Securities Purchase Agreement** The Original Guarantor shall procure that there is no amendment to the terms of the Securities Purchase Agreement.

22.27 **DSI Loan** The Borrowers and the Original Guarantor shall procure that:

22.27.1 there shall be no amendment to the terms of the DSI Loan save as permitted by this Agreement;

22.27.2 no additional party accedes to the DSI Loan as an additional borrower;

22.27.3 during the Facility Period there shall be no repayments or prepayments pursuant to the DSI Loan that exceed $5,000,000 per year or $32,500,000 in aggregate; and

22.27.4 no Encumbrance may be granted over any assets of the Group in favour of DSI as security for the DSI Loan save for Encumbrances in respect of the m.v. "PUELO", a vessel in the ownership of Eluk registered under the flag of the Marshall Islands.

22.28 **Management of Original Guarantor** The Original Guarantor shall procure that the Executive Managers remain as the chairman of the board of directors and chief executive officer of the Original Guarantor and a director and the president of the Original Guarantor respectively, or such other persons as may be approved by the Agent.

22.29 **Ownership covenants** The Borrowers and the Original Guarantor shall procure that:

22.29.1 the members of the Families and DSI shall individually or in aggregate own not less than 20%/0 of the issued shares in the Original Guarantor;

22.29.2 no single entity or group of related parties under common ultimate ownership shall

(a) individually or in aggregate own directly or indirectly more than 50% of the issued shares in the Original Guarantor;

(b) make, or in any way participate, directly or indirectly in any solicitation of proxies to vote that would result in such entity or group having control of more than 50% of the voting rights in the Original Guarantor;

(c) form, join or in any way participate in a group in order to accomplish either of (a) or (b) above; or

(d) knowingly advise, assist or encourage any entity in order to accomplish either of (a) or (b) above.

22.29.3 without the prior written consent of the Agent, there shall be no change in the legal ownership of any Borrower or the Collateral Owner from that advised to the Agent by the Borrowers on the date of this Agreement or in the ability of a person to appoint a majority to the board of directors of any Borrower or the Collateral Owner; and

22.29.4 no bearer shares shall be issued by any of the Security Parties.

22.30 **NASDAQ listing** The Original Guarantor shall remain listed on the NASDAQ exchange.

22.31 **Master Agreements** If a Swap Provider and the Borrowers enter into a Master Agreement after the date on which any Mortgage is executed and registered in favour of the Security Agent, the Borrowers shall execute and deliver to the Security Agent any amendment or addendum to each Mortgage to secure that part of the Indebtedness relating to the Master Agreement, together with such supporting documentation at the Agent may reasonably require.

22.32 **Master Agreement Proceeds Charge** In the event that a Swap Provider and the Borrowers enter into a Master Agreement, the Borrowers shall execute and deliver to the Security Agent a Master Agreement Proceeds Charge, together with such supporting documentation at the Agent may reasonably require.

22.33 **Clear Market** During the period commencing on the date of this Agreement until 31 January 2016, the Borrowers and the Original Guarantor shall not and shall procure that no other member of the Group shall announce, enter into discussions to raise, raise or attempt to raise any other finance in the international or any relevant domestic syndicated loan, debt, bank, capital or equity market (including, but not limited to, any bilateral or syndicated facility, bond or note issuance or private placement) without the prior written consent of the Arranger.

23 Events of Default

23.1 **Events of Default** Each of the events or circumstances set out in this Clause 23.1 is an Event of Default.

23.1.1 **Non-payment** A Security Party does not pay on the due date any amount payable by it under a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

(a) its failure to pay is caused by:

(i) administrative or technical error; or

(ii) a Disruption Event; and

(b) payment is made within two Business Days of its due date.

23.1.2 **Other specific obligations** A Security Party does not comply with:

(a) any requirement of Clause 21 (*Financial Covenants*);

(b) any obligation in a Finance Document relating to the Insurances;

(c) any obligation in Clause 17.12 (*Additional security*);

(d) any obligation in Clause 17.14 (*Liquidity Account*); or

(e) any obligation in Clause 22.26 (*Securities Purchase Agreement*), Clause 22.27 (*DSI Loan*), Clause 22.28 (*Management of Original Guarantor*), Clause 22.29 (*Ownership covenants*) and Clause 22.30 (*NASDAQ Listing*).

23.1.3 **Other obligations**

(a) A Security Party does not comply with any provision of a Finance Document (other than those referred to in Clause 23.1.1 (*Non-payment*) and Clause 23.1.2 (*Other specific obligations*)).

(b) No Event of Default under this Clause 23.1.3 will occur if the failure to comply is capable of remedy and is remedied within ten Business Days of the earlier of (i) the Agent giving notice to the Borrowers and (ii) the Borrowers becoming aware of the failure to comply.

23.1.4 **Misrepresentation** Any representation or statement made or deemed to be repeated by a Security Party in any Finance Document or any other document delivered by or on behalf of a Security Party under or in connection with any Finance Document is or proves to have been incorrect or misleading when made or deemed to be made.

23.1.5 **Cross default** Any Financial Indebtedness of a Security Party or any other member of the Group:

(a) is not paid when due nor within any originally applicable grace period; or

(b) is declared to be, or otherwise becomes, due and payable prior to its specified maturity as a result of an event of default (however described); or

(c) is capable of being declared by a creditor to be due and payable prior to its specified maturity as a result of such an event

No Event of Default will occur under this Clause 23.1.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within Clause (a) to (c) in respect of the Original Guarantor only is less than $3,000,000 (or its equivalent in any other currency or currencies).

23.1.6 **Insolvency**

(a) A Security Party or any other member of the Group is unable or admits inability to pay its debts as they fall due, is deemed to, or is declared to, be unable to pay its debts under applicable law, suspends or threatens to suspend making payments on any of its debts, or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(b) The value of the assets of the Original Guarantor is less than its liabilities (taking into account contingent and prospective liabilities).

(c) A moratorium is declared in respect of any indebtedness of a Security Party or any other member of the Group. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

23.1.7 **Insolvency proceedings** Any corporate action, legal proceedings or other procedure or step is taken for:

(a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, bankruptcy or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of a Security Party or any other member of the Group;

(b) a composition, compromise, assignment or arrangement with any creditor of a Security Party or any other member of the Group;

(c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, or trustee or other similar officer in respect of a Security Party or any other member of the Group or any of its assets; or

(d) enforcement of any Encumbrance over any assets of a Security Party or any other member of the Group,

or any analogous procedure or step is taken in any jurisdiction.

This Clause 23.1.7 shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement.

23.1.8 **Creditors' process** Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a Security Party or any other member of the Group which in the case of the Original Guarantor only relates to any asset or assets the aggregate value of which exceeds $3,000,000.

23.1.9 **Unlawfulness and invalidity**

(a) It is or becomes unlawful for a Security Party to perform any of its obligations under the Finance Documents or any Encumbrance created or expressed to be created or evidenced by the Security Documents ceases to be effective.

(b) Any obligation or obligations of any Security Party under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lenders under the Finance Documents.

(c) Any Finance Document ceases to be in full force and effect or any Encumbrance created or expressed to be created or evidenced by the Security Documents ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

23.1.10 **Cessation of business** A Security Party ceases, or threatens to cease, to carry on all or a substantial part of its business.

23.1.11 **Expropriation** The authority or ability of a Security Party or any other member of the Group to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to a Security Party or any other member of the Group or any of its assets.

23.1.12 **Repudiation and rescission of agreements**

(a) A Security Party rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or evidences an intention to rescind or repudiate a Finance Document.

(b) Subject to Clause 23.1.12(c), any party to any of the Relevant Documents that is not a Finance Document rescinds or purports to rescind or repudiates or purports to repudiate that Relevant Document in whole or in part where to do so has or is, in the reasonable opinion of the Majority Lenders, likely to have a material adverse effect on the interests of the Lenders under the Finance Documents.

(c) Any of the Management Agreements or a Charter is terminated, cancelled or otherwise ceases to remain in full force and effect at any time prior to its contractual expiry date and, in the case of a

Management Agreement is not replaced within three days, and in the case a Charter is not replaced within three months, by a similar agreement in form and substance satisfactory to the Majority Lenders.

(d) DSI does not comply with any provision of the Intercreditor Deed.

23.1.13 **Conditions subsequent** Any of the conditions referred to in Clause 4.3 (*Conditions subsequent*) is not satisfied within the time reasonably required by the Agent.

23.1.14 **Revocation or modification of Authorisation** Any Authorisation of any governmental, judicial or other public body or authority which is now, or which at any time during the Facility Period becomes, necessary to enable any of the Security Parties or any other person (except a Finance Party) to comply with any of their obligations under any Relevant Document is not obtained, is revoked, suspended, withdrawn or withheld, or is modified in a manner which the Agent considers is, or may be, prejudicial to the interests of any Finance Party, or ceases to remain in full force and effect.

23.1.15 **Reduction of capital** A Security Party reduces its authorised or issued or subscribed capital.

23.1.16 **Loss of Vessel** A Vessel or (as the case may be) the Collateral Vessel suffers a Total Loss or is otherwise destroyed or abandoned, or a similar event occurs in relation to any other vessel which may from time to time be mortgaged to the Security Agent as security for the payment of all or any part of the Indebtedness, except that a Total Loss (which term shall for the purposes of the remainder of this Clause 23.1.16 include an event similar to a Total Loss in relation to any other vessel) shall not be an Event of Default if:

(a) that Vessel, the Collateral Vessel or other vessel is insured in accordance with the Security Documents and a claim for Total Loss is available under the terms of the relevant insurances;

(b) no insurer has refused to meet or has disputed the claim for Total Loss and it is not apparent to the Agent in its discretion that any such refusal or dispute is likely to occur; and

(c) payment of all insurance proceeds in respect of the Total Loss is made in full to the Security Agent within 120 days of the occurrence of the casualty giving rise to the Total Loss in question or such longer period as the Agent may in its discretion agree.

23.1.17 **Challenge to registration** The registration of a Vessel, or the Collateral Vessel, a Mortgage or the Collateral Mortgage is contested or becomes void or voidable or liable to cancellation or termination, or the validity or priority of a Mortgage or the Collateral Mortgage is contested.

23.1.18 **War** The country of registration of a Vessel or the Collateral Vessel becomes involved in war (whether or not declared) or civil war or is

occupied by any other power and the Agent in its discretion considers that, as a result, the security conferred by any of the Security Documents is materially prejudiced.

23.1.19 **Master Agreement termination** A notice is given by a Swap Provider under section 6(a) of a Master Agreement, or by any person under section 6 (b)(iv) of a Master Agreement, in either case designating an Early Termination Date for the purpose of that Master Agreement, or a Master Agreement is for any other reason terminated, cancelled, suspended, rescinded, revoked or otherwise ceases to remain in full force and effect.

23.1.20 **Notice of determination** A Guarantor gives notice to the Security Agent to determine any obligations under the relevant Guarantee.

23.1.21 **Litigation** Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to the Relevant. Documents or the transactions contemplated in the Relevant Documents or against a Security Party or its assets which have or are reasonably likely to have a Material Adverse Effect.

23.1.22 **Material adverse change** Any event or circumstance occurs which the Majority Lenders reasonably believe has or is reasonably likely to have a Material Adverse Effect.

23.1.23 **Sanctions**

(a) Any of the Security Parties or any Affiliate of any of them becomes a Prohibited Person or becomes owned or controlled by, or acts directly or indirectly on behalf of, a Prohibited Person or any of such persons becomes the owner or controller of a Prohibited Person.

(b) Any proceeds of the Loan are made available, directly or indirectly, to or for the benefit of a Prohibited Person or otherwise is, directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions.

(c) Any of the Security Parties or any Affiliate of any of them is not in compliance with all Sanctions.

23.2 **Acceleration** On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders:

23.2.1 by notice to the Borrowers cancel the Total Commitments, at which time they shall immediately be cancelled;

23.2.2 by notice to the Borrowers declare that the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents are immediately due and payable, at which time they shall become immediately due and payable;

23.2.3 by notice to the Borrowers declare that the Loan is payable on demand, at which time it shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders; and/or

23.2.4 exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

Section 9 Changes to Parties

24 Changes to the Lenders

24.1 **Assignments and transfers by the Lenders** Subject to this Clause 24, a Lender (the "**Existing Lender**") may:

24.1.1 assign any of its rights; or

24.1.2 transfer by novation any of its rights and obligations, under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**").

24.2 **Conditions of assignment or transfer**

24.2.1 An Existing Lender must consult with the Borrowers for no less than 30 days but no more than 40 days before it may make an assignment or transfer in accordance with Clause 24.1 (*Assignments and transfers by the Lenders*) unless the assignment or transfer is:

(a) to another Lender or an Affiliate of a Lender;

(b) if the Existing Lender is a fund, to a fund which is a Related Fund of the Existing Lender; or

(c) made at a time when an Event of Default is continuing.

24.2.2 An assignment will only be effective on:

(a) receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and

(b) performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

24.2.3 A transfer will only be effective if the procedure set out in Clause 24.5 (*Procedure for transfer*) is complied with.

24.2.4 If:

(a) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

(b) as a result of circumstances existing at the date the assignment, transfer or change occurs, a Borrower would be obliged to make a

payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax Gross Up and Indemnities*) or Clause *13* (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

24.2.5 Each New Lender confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

24.3 **Assignment or transfer fee** Unless the Agent otherwise agrees and excluding an assignment or transfer (i) to an Affiliate of a Lender, (ii) to a Related Fund or (iii) made in connection with primary syndication of the Loan, the New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of $5,000.

24.4 **Limitation of responsibility of Existing Lenders**

24.4.1 Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(a) the legality, validity, effectiveness, adequacy or enforceability of the Relevant Documents or any other documents;

(b) the financial condition of any Security Party;

(c) the performance and observance by any Security Party of its obligations under the Relevant Documents or any other documents; or

(d) the accuracy of any statements (whether written or oral) made in or in connection with any of the Relevant Documents or any other document,

and any representations or warranties implied by law are excluded.

24.4.2 Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

(a) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Security Party and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any of the Relevant Documents; and

(b) will continue to make its own independent appraisal of the creditworthiness of each Security Party and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

24.4.3 Nothing in any Finance Document obliges an Existing Lender to:

(a) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 24; or

(b) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Security Party of its obligations under the Relevant Documents or otherwise.

24.5 **Procedure for transfer**

24.5.1 Subject to the conditions set out in Clause 24.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with Clause 24.5.3 when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to Clause 24.2.2(b), as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

24.5.2 The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.

24.5.3 Subject to Clause 24.9 (*Pro rata interest settlement*), on the Transfer Date:

(a) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each Borrower and each Guarantor and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (being the "**Discharged Rights and Obligations**");

(b) each Borrower and each Guarantor and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Borrower and that Guarantor and the New Lender have assumed and/or acquired the same in place of that Borrower and that Guarantor and the Existing Lender;

(c) the Agent, the Security Agent, the Arranger, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and

assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Security Agent, the Arranger and the Existing Lender shall each be released from further obligations to each other under this Agreement; and

(d) the New Lender shall become a Party as a "Lender".

24.6 **Procedure for assignment**

24.6.1 Subject to the conditions set out in Clause 24.2 (*Conditions of assignment or transfer*) an assignment may be effected in accordance with Clause 24.6.3 when the Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Agent shall, subject -to Clause 24.6.2, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.

24.6.2 The Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.

24.6.3 Subject to Clause 24.9 (*Pro rata interest settlement*), on the Transfer Date:

(a) the Existing Lender will assign absolutely to the New Lender its rights under the Finance Documents and in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents and expressed to be the subject of the assignment in the Assignment Agreement;

(b) the Existing Lender will be released from the obligations (the "**Relevant Obligations**") expressed to be the subject of the release in the Assignment Agreement (and any corresponding obligations by which it is bound in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents); and

(c) the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations.

24.6.4 Lenders may utilise procedures other than those set out in this Clause 24.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Security Party or unless in accordance with Clause 24.5 (*Procedure for transfer*), to obtain a release by that Security Party from the obligations owed to that Security Party by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in Clause 24.2 (*Conditions of assignment or transfer*).

24.7 **Copy of Transfer Certificate or Assignment Agreement to Borrowers** The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrowers a copy of that Transfer Certificate or Assignment Agreement.

24.8 **Security over Lenders' rights** In addition to the other rights provided to Lenders under this Clause 24, each Lender may without consulting with or obtaining consent from any Security Party, at any time charge, assign or otherwise create Encumbrances In or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

24.8.1 any charge, assignment or other Encumbrance to secure obligations to a federal reserve or central bank; and

24.8.2 in the case of any Lender which is a fund, any charge, assignment or other Encumbrance granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities, except that no such charge, assignment or Encumbrance shall:

(a) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Encumbrance for the Lender as a party to any of the Finance Documents; or

(b) require any payments to be made by a Security Party other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

24.9 **Pro rata interest settlement**

24.9.1 If the Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 24.5 (*Procedure for transfer*) or any assignment pursuant to Clause 24.6 (*Procedure for assignment*) the Transfer Date of which is after the date of such notification and is not on the last day of an Interest Period):

(a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date **(**"**Accrued Amounts**") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than three months, on the next of the dates which falls at three monthly intervals after the first day of that Interest Period); and

(b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:

(i) when the Accrued Amounts become payable, those Accrued Amounts will be payable to the Existing Lender; and

(ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 24.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

24.9.2 In this Clause 24.9 references to "Interest Period" shall be construed to include a reference to any other period for accrual of fees.

24.10 **Swap Provider Accession** A Lender may accede to this Agreement as a Swap Provider pursuant to a Swap Provider Accession Deed. Each Swap Provider shall be permitted to enter into Transactions up to a maximum amount attributable to that Swap Provider's (in that entity's capacity as Lender) Commitment. With effect from the date of acceptance by the Security Agent and the Agent of a Swap Provider Accession Deed duly executed and delivered to the Agent and the Security Agent by the acceding Swap Provider or, if later, the date specified in that Swap Provider Accession Deed. In the event that a Lender ceases to be a Lender, such Lender shall cease to be a Swap Provider on the date that such Lender ceases to be a Lender and any Party ceasing to be a Swap Provider shall be discharged from further obligations towards the Security Agent and the other Parties under this Agreement and 'their respective rights against one another shall be cancelled (except in each case for those rights which arose prior to that date).

25 Changes to the Security Parties

25.1 **No assignment or transfer by Security Parties** No Security Party may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

25.2 **Additional Guarantor**

25.2.1 In the event that the Borrowers are prevented from requesting the amount of:

(a) $11,000,000 in respect of Tranche A;

(b) $11,000,000 in respect of Tranche B;

(c) $24,000,000 in respect of Tranche C;

(d) $16,000,000 in respect of Tranche D;

(e) $16,000,000 in respect of Tranche E;

(f) $11,500,000 in respect of Tranche F;

(g) $11,500,000 in respect of Tranche G;

(h) $23,500,000 in respect of Tranche H; or

(i) $25,500,000 in respect of Tranche I;

to be advanced as a result of the provisions of Clause 4.2.1 (*Further conditions precedent*) due to the Market Value of the relevant Vessel determined pursuant to Clause 4.1 (*Initial conditions precedent*) being less than 60% of such amount, the Borrowers may nominate the Collateral Owner to become the Additional Guarantor pursuant to this Agreement and procure that the Collateral Owner enter into an Accession Deed pursuant to this Clause 25.2, accede to this Agreement as the Additional Guarantor, and the Borrowers may thereafter request that amounts in excess of 60% of the Market Value of the relevant Vessel be advanced pursuant to the relevant Tranche (each such amount in excess of 60%/0 of the Market Value of the relevant Vessel, an "**Additional Tranche Amount**") subject always to the maximum amount in respect of each Tranche being the amount stated in this Clause 25.2.1 above and **provided that** the aggregate of each Additional Tranche Amount shall not exceed 50% of the Market Value of the Collateral Vessel.

25.2.2 If the accession of the Collateral Owner obliges the Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrowers shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of the Collateral Owner to this Agreement as the Additional Guarantor.

25.2.3 The Collateral Owner shall become the Additional Guarantor if:

(a) the Borrowers, the Original Guarantor and the Collateral Owner deliver to the Agent a duly completed and executed Accession Deed; and

(b) the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*) and Part II of Schedule 2 (*Conditions Subsequent*) in relation to the Collateral Owner (as a Security Party) and the Collateral Vessel (where references in Schedule 2 to the Vessel shall be interpreted as being references to the Collateral Vessel with necessary modifications), each in form and substance satisfactory to the Agent.

25.2.4 The Agent shall notify the Borrowers, the Original Guarantor and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*) and Part II of Schedule 2 (*Conditions Subsequent*).

25.2.5 Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in Clause 25.2.4, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

25.3 **Repetition of Representations** Delivery of an Accession Deed constitutes confirmation by the Collateral Owner that the Repeating Representations are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

25.4 **References to the Collateral Owner, the Collateral Vessel and Collateral Security Documents** Other than in respect of this Clause 25, references to the Collateral Owner, the Collateral Vessel and Collateral Security Documents in this Agreement shall only be applicable from the date the Collateral Owner accedes to this Agreement as the Additional Guarantor pursuant to an Accession Deed.

Section 10 The Finance Parties

26 Role of the Agent, the Security Agent and the Arranger

26.1 **Appointment of the Agent**

26.1.1 Each of the Arranger and the Lenders appoints the Agent to act as its agent under and in connection with the Finance Documents and each of the Arranger, the Lenders and the Agent appoints the Security Agent to act as its security agent for the purpose of the Security Documents.

26.1.2 Each of the Arranger and the Lenders authorises the Agent and each of the Arranger, the Lenders and the Agent authorises the Security Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Agent or the Security Agent (as the case may be) under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

26.1.3 Each of the Swap Providers appoints the Security Agent to act as its security agent for the purpose of the Security Documents and authorises the Security Agent to exercise the rights, powers, authorities and discretions specifically given to the Security Agent under or in connection with the Security Documents together with any other incidental rights, powers, authorities and discretions.

26.1.4 Except in Clause 26.14 (*Replacement of the Agent*) or where the context otherwise requires, references in this Clause 26 to the "**Agent**" shall mean the Agent and the Security Agent individually and collectively and references in this Clause 26 to the "**Finance Documents**" or to any "**Finance Document**" shall not include any Master Agreement.

26.2 **Instructions**

26.2.1 The Agent shall:

(a) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by:

(i) all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and

(ii) in all other cases, the Majority Lenders; and

(b) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with Clause 26.2.1(a).

26.2.2 The Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender or group of Lenders, from that Lender or group of Lenders) as to whether, and in what manner, it

should exercise or refrain from exercising any right, power, authority or discretion and the Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.

26.2.3 Save in the case of decisions stipulated to be a matter for any other Lender or group of Lenders under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.

26.2.4 The Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

26.2.5 In the absence of instructions, the Agent may act (or refrain from acting) as it considers to be in the best interest of the Lenders.

26.2.6 The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document. This Clause 26.2.6 shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Finance Documents or the enforcement of the Finance Documents.

26.3 **Duties of the Agent**

26.3.1 The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

26.3.2 Subject to Clause 26.3.3, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.

26.3.3 Without prejudice to Clause 24.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrowers*), Clause 26.3.1 shall not apply to any Transfer Certificate or any Assignment Agreement.

26.3.4 Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

26.3.5 If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.

26.3.6 If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent, the Arranger or the Security Agent) under this Agreement it shall promptly notify the other Finance Parties.

26.3.7 The Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

26.4 **Role of the Arranger** Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other Party under or in connection with any Finance Document.

26.5 **No fiduciary duties**

26.5.1 Subject to Clause 26.12 (*Trust*) which relates to the Security Agent only, nothing in any Finance Document constitutes the Agent or the Arranger as a trustee or fiduciary of any other person.

26.5.2 Neither the Agent nor the Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

26.6 **Business with Security Parties** The Agent and the Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Borrower, any other Security Party or any Affiliate of any one of them.

26.7 **Rights and discretions of the Agent**

26.7.1 The Agent may:

(a) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;

(b) assume that:

(i) any instructions received by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and

(ii) unless it has received notice of revocation, that those instructions have not been revoked; and

(iii) rely on a certificate from any person:

(A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or

(B) to the effect that such person approves of any particular dealing, transaction, step, action or thing,

as sufficient evidence that that is the case and, in the case of (A), may assume the truth and accuracy of that certificate.

26.7.2 The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders or security agent for the Finance Parties (as the case may be)) that:

(a) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 23.1 (*Events of Default*));

(b) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and

(c) any notice or request made by the Borrowers (other than a Drawdown Request) is made on behalf of and with the consent and knowledge of all the Security Parties.

26.7.3 The Agent may engage and pay for the advice or services of any lawyers, accountants, surveyors or other experts.

26.7.4 Without prejudice to the generality of Clause 26.7.3 or Clause 26.7.5, the Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Agent (and so separate from any lawyers instructed by the Lenders) if the Agent in its reasonable opinion deems this to be desirable.

26.7.5 The Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

26.7.6 The Agent may act in relation to the Finance Documents through its officers, employees and agents and the Agent shall not:

(a) be liable for any error of judgment made by any such person; or

(b) be bound to supervise, or be in any way responsible for any loss incurred by reason of misconduct, omission or default on the part, of any such person,

unless such error or such loss was directly caused by the. Agent's gross negligence or wilful misconduct.

26.7.7 Unless a Finance Document expressly provides otherwise the Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

26.7.8 Without prejudice to the generality of Clause 26.7.7, the Agent:

(a) may disclose; and

(b) on the written request of the Borrowers or the Majority Lenders shall, as soon as reasonably practicable, disclose,

the identity of a Defaulting Lender to the Borrowers and to the other Finance Parties.

26.7.9 Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

26.7.10 The Agent may not disclose to any Finance Party any details of the rate notified to the Agent by any Lender or the identity of any such Lender for the purpose of Clause 10.2.2 (*Market Disruption*):

26.7.11 Notwithstanding any provision of any Finance Document to the contrary, the Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

26.8 **Responsibility for documentation** Neither the Agent nor the Arranger is responsible or liable for:

26.8.1 the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Arranger, a Security Party or any other person given in or in connection with any Relevant Document or the transactions contemplated in the Finance Documents; or

26.8.2 the legality, validity, effectiveness, adequacy or enforceability of any Relevant Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Relevant Document; or

26.8.3 any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

26.9 **No duty to monitor** The Agent shall not be bound to enquire:

26.9.1 whether or not any Default has occurred;

26.9.2 as to the performance, default or any breach by any Party of its obligations under any Finance Document; or

26.9.3 whether any other event specified in any Finance Document has occurred.

26.10 **Exclusion of liability**

26.10.1 Without limiting Clause 26.10.2 (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Agent) the Agent shall not be liable (including, without limitation, for negligence or any other category of liability whatsoever) for:

(a) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document or any Encumbrance created or expressed to be created or evidenced by the Security Documents, unless directly caused by its gross negligence or wilful misconduct;

(b) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document, any Encumbrance created or expressed to be created or evidenced by the Security Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or any Encumbrance created or expressed to be created or evidenced by the Security Documents;

(c) any shortfall which arises on the enforcement or realisation of the Trust Property; or

(d) without prejudice to the generality of Clauses 26.10.1(a), 26.10.1(b) and 26.10.1(c), any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:

(i) any act, event or circumstance not reasonably within its control; or

(ii) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

26.10.2 No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Relevant Document and any officer, employee or agent of the Agent may rely on this Clause subject to Clause 1.7 (*Third Party Rights*) and the provisions of the Third Parties Act.

26.10.3 The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating

procedures of any recognised clearing or settlement system used by the Agent for that purpose.

26.10.4 Nothing in this Agreement shall oblige the Agent or the Arranger to carry out:

(a) any "know your customer" or other checks in relation to any person;

(b) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender,

on behalf of any Lender and each Lender confirms to the Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Arranger.

26.10.5 Without prejudice to any provision of any Finance Document excluding or limiting the Agent's liability, any liability of the Agent arising under or in connection with any Finance Document or any Encumbrance created or expressed to be created or evidenced by the Security Documents shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Agent or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Agent at any time which increase the amount of that loss. In no event shall the Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Agent has been advised of the possibility of such loss or damages.

26.11 **Lenders' indemnity to the Agent**

26.11.1 Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent and every Receiver and Delegate, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by any of them (otherwise than by reason of the relevant Agent's, Receiver's or Delegate's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 29.12 (*Disruption to payment systems etc.*) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent, Receiver or Delegate under, or exercising any authority conferred under, the Finance Documents (unless the relevant Agent, Receiver or Delegate has been reimbursed by a Security Party pursuant to a Finance Document).

26.11.2 Subject to Clause 26.11.3, the Borrowers shall immediately on demand reimburse any Lender for any payment that Lender makes to the Agent pursuant to Clause 26.11.1

26.11.3 Clause 26.11.2 shall not apply to the extent that the indemnity payment in respect of which the Lender claims reimbursement relates to a liability of the Agent to a Security Party.

26.12 **Trust** The Security Agent agrees and declares, and each of the other Finance Parties acknowledges, that, subject to the terms and conditions of this Clause 26.12, the Security Agent holds the Trust Property on trust for the Finance Parties absolutely. Each of the other Finance Parties agrees that the obligations, rights and benefits vested in the Security Agent shall be performed and exercised in accordance with this Clause 26.12. The Security Agent shall have the benefit of all of the provisions of this Agreement benefiting it in its capacity as security agent for the Finance Parties, and all the powers and discretions conferred on trustees by the Trustee Act 1925 (to the extent not inconsistent with this Agreement). In addition:

26.12.1 the Security Agent and any Delegate may indemnify itself or himself out of the Trust Property against all liabilities, costs, fees, damages, charges, losses and expenses sustained or incurred by it or him in relation to the taking or holding of any of the Trust Property or in connection with the exercise or purported exercise of the rights, trusts, powers and discretions vested in the Security Agent or any Delegate by or pursuant to the Security Documents or in respect of anything else done or omitted to be done in any way relating to the Security Documents;

26.12.2 the other Finance Parties acknowledge that the Security Agent shall be under no obligation to insure any property nor to require any other person to insure any property and shall not be responsible for any loss which may be suffered by any person as a result of the lack or insufficiency of any insurance;

26.12.3 the Finance Parties agree that the perpetuity period applicable to the trusts declared by this Agreement shall be the period of 125 years from the date of this Agreement;

26.12.4 the Security Agent shall not be liable for any failure, omission, or defect in perfecting the security constituted or created by any Finance Document including, without limitation, any failure to register the same in accordance with the provisions of any of the documents of title of any Security Party to any of the assets thereby charged or effect or procure registration of or otherwise protect the security created by any Security Document under any registration laws in any jurisdiction and may accept without enquiry such title as any Security Party may have to any asset;

26.12.5 the Security Agent shall not be under any obligation to hold any title deed, Finance Document or any other documents in connection with the Finance Documents or any other documents in connection with the property charged by any Finance Document or any other such security in its own possession or to take any steps to protect or preserve the same, and may permit any Security Party to retain all such title deeds, Finance Documents and other documents in its possession; and

26.12.6 save as otherwise provided in the Finance Documents, all moneys which under the trusts therein contained are received by the Security Agent may

be invested in the name of or under the control of the Security Agent in any investment for the time being authorised by English law for the investment by trustees of trust money or in any other investments which may be selected by the Security Agent, and the same may be placed on deposit in the name of or under the control of the Security Agent at such bank or institution (including the Security Agent) and upon such terms as the Security Agent may think fit.

The provisions of Part I of the Trustee Act 2000 shall not apply to the Security Agent or the Trust Property.

26.13 **Resignation of the Agent**

26.13.1 The Agent may resign and appoint one of its Affiliates acting through an office as successor by giving notice to the other Finance Parties and the Borrowers.

26.13.2 Alternatively the Agent may resign by giving 30 days' notice to the other Finance Parties and the Borrowers, in which case the Majority Lenders (after consultation with the Borrowers) may appoint a successor Agent.

26.13.3 If the Majority Lenders have not appointed a successor Agent in accordance with Clause 26.13.2 within 20 days after notice of resignation was given, the retiring Agent (after consultation with the Borrowers) may appoint a successor Agent.

26.13.4 If the Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as agent and the Agent is entitled to appoint a successor Agent under Clause 26.13.3, the Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Agent to become a party to this Agreement as Agent) agree with the proposed successor Agent amendments to this Clause 26 and any other term of this Agreement dealing with the rights or obligations of the Agent consistent with then current market practice for the appointment and protection of corporate trustees together with any reasonable amendments to the agency fee payable under this Agreement which are consistent with the successor Agent's normal fee rates and those amendments will bind the Parties.

26.13.5 The retiring Agent shall make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents. The Borrowers shall, within three Business Days of demand, reimburse the retiring Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.

26.13.6 The Agent's resignation notice shall only take effect upon the appointment of a successor and (in the case of the Security Agent) the transfer of all the Trust Property to that successor.

26.13.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under Clause 26.13.5) but shall remain entitled to the benefit of Clause 14.3 (*Indemnity to the Agent*) and this Clause 26 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

26.13.8 The Agent shall resign in accordance with Clause 26.13.2 (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to Clause 26.13.3) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:

(a) the Agent fails to respond to a request under Clause 12.7 (*FATCA information*) and a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

(b) the information supplied by the Agent pursuant to Clause 12.7 (*FATCA information*) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

(c) the Agent notifies the Borrowers and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and that Borrower or that Lender, by notice to the Agent, requires it to resign.

26.14 **Replacement of the Agent**

26.14. After consultation with the Borrowers, the Majority Lenders may, by giving 30 days' notice to the Agent (or, at any time the Agent is an Impaired Agent, by giving any shorter notice determined by the Majority lenders) replace the Agent by appointing a successor Agent.

26.14.2 The retiring Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its function as Agent under the Finance Documents.

26.14.3 The appointment of the successor Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Agent. As from this date, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under Clause 26.14.2 but shall remain entitled to the benefit of Clause 14.3

(*Indemnity to the Agent*) and this Clause 26 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date).

26.14.4 Any successor Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

26.15 **Confidentiality**

26.15.1 In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

26.15.2 If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

26.15.3 Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Arranger is obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty.

26.16 **Relationship with the Lenders**

26.16.1 Subject to Clause 24.9 (*Pro rata interest settlement*), the Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

(a) entitled to or liable for any payment due under any Finance Document on that day; and

(b) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

26.16.2 Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or dispatched to that Lender under the Finance Documents. Such notice shall contain the address and fax number (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, department and officer by that Lender for the purposes of Clause 31.2 (*Addresses*) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

26.17 **Credit appraisal by the Lenders** Without affecting the responsibility of any Security Party for information supplied by it or on its behalf in connection with any Relevant Document, each Lender confirms to the Agent and the Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Relevant Document including but not limited to:

26.17.1 the financial condition, status and nature of each Security Party;

26.17.2 the legality, validity, effectiveness, adequacy or enforceability of any Relevant Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Relevant Document;

26.17.3 whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Relevant Document, the transactions contemplated by the Relevant Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of under or in connection with any Relevant Document; and

26.17.4 the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any Encumbrance created or expressed to be created or evidenced by the Security Documents or the existence of any Encumbrance affecting the Charged Property.

26.18 **Reference Banks** If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrowers) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

26.19 **Deduction from amounts payable by the Agent** If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

27 Conduct of Business by the Finance Parties

No provision of this Agreement will:

27.1 interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

27.2 oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

27.3 oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

28 Sharing among the Finance Parties

28.1 **Payments to Finance Parties** If a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from a Security Party other than in accordance with Clause 29 (*Payment Mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

28.1.1 the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Agent;

28.1.2 the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 29 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

28.1.3 the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 29.6 (*Partial payments*).

28.2 **Redistribution of payments** The Agent shall treat the Sharing Payment as if it had been paid by the relevant Security Party and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 29.6 (*Partial payments*) towards the obligations of that Security Party to the Sharing Finance Parties.

28.3 **Recovering Finance Party's rights** On a distribution by the Agent under Clause 28.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from a Security Party, as between the relevant Security Party and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Security Party.

28.4 **Reversal of redistribution** If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

28.4.1 each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and

28.4.2 as between the relevant Security Party and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Security Party.

28.5 **Exceptions**

28.5.1 This Clause 28 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Security Party.

28.5.2 A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(a) it notified that other Finance Party of the legal or arbitration proceedings; and

(b) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

Section 11 Administration

29 Payment Mechanics

29.1 **Payments to the Agent** On each date on which a Security Party or a Lender is required to make a payment under a Finance Document (other than any Master Agreement), that Security Party or that Lender shall make the same available to the Agent for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Agent specifies.

29.2 **Distributions by the Agent** Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 29.3 (*Distributions to a Security Party*) and Clause 29.4 (*Clawback and pre-funding*) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank specified by that Party in the principal financial centre of the country of that currency.

29.3 **Distributions to a Security Party** The Agent may (with the consent of a Security Party or in accordance with Clause 30 (*Set-Off*)) apply any amount received by it for that Security Party in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Security Party under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

29.4 **Clawback and pre-funding**

29.4.1 Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

29.4.2 Unless Clause 29.4.3 applies, if the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

29.4.3 If the Agent has notified the Lenders that it is willing to make available amounts for the account of a Borrower before receiving funds from the Lenders then if and to the extent that the Agent does so but it proves to be the case that it does not then receive funds from a Lender in respect of a sum which it paid to a Borrower:

(a) the Agent shall notify the Borrowers of that Lender's identity and the Borrower to whom that sum was made available shall on demand refund it to the Agent; and

(b) the Lender by whom those funds should have been made available or, if that Lender fails to do so, the Borrower to whom that sum was made available, shall on demand pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding cost incurred by it as a result of paying out that sum before receiving those funds from that Lender.

29.5 **Impaired Agent**

29.5.1 If, at any time, the Agent becomes an Impaired Agent, a Security Party or a Lender which is required to make a payment under the Finance Documents to the Agent in accordance with Clause 29.1 (*Payments to the Agent*) may instead either:

(a) pay that amount direct to the required recipient(s); or

(b) if in its absolute discretion it considers that it is not reasonably practicable to pay that amount direct to the required recipient(s), pay that amount or the relevant part of that amount to an interest-bearing account held with an Acceptable Bank in relation to which no Insolvency Event has occurred and is continuing, in the name of the Security Party or the Lender making the payment (the "**Paying Party**") and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents (the "**Recipient Party**" or "**Recipient Parties**").

In each case such payments must be made on the due date for payment under the Finance Documents.

29.5.2 All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the Recipient Party or the Recipient Parties *pro rata* to their respective entitlements.

29.5.3 A Party which has made a payment in accordance with this Clause 29.5 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.

29.5.4 Promptly upon the appointment of a successor Agent in accordance with Clause 26.14 (*Replacement of the Agent*), each Paying Party shall (other than to the extent that that Party has given an instruction pursuant to Clause 29.5.5) give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution to the relevant Recipient Party or Recipient Parties in accordance with Clause 29.2 (*Distributions by the Agent*).

29.5.5 A Paying Party shall, promptly upon request by a Recipient Party and to the extent:

(a) that it has not given an instruction pursuant to Clause 29.5.4; and

(b) that it has been provided with the necessary information by that Recipient Party, gParty.

give all requisite instructions to the bank with whom the trust account is held to transfer the relevant amount (together with any accrued interest) to that Recipient Party.

29.6 **Partial payments**

29.6.1 If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by a Security Party under the Finance Documents (other than any Master Agreement), the Agent shall apply that payment towards the obligations of that Security Party under the Finance Documents (other than any Master Agreement) in the following order:

(a) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent or the Security Agent under the Finance Documents;

(b) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;

(c) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and

(d) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

29.6.2 The Agent shall, if so directed by the Majority Lenders, vary the order set out in Clauses 29.6.1(b) to 29.6.1(d).

29.6.3 Clauses 29.6.1 and 29.6.2 will override any appropriation made by a Security Party.

29.7 **No set-off by Security Parties** All payments to be made by a Security Party under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

29.8 **Business Days** Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

29.9 **Currency of account**

29.9.1 Subject to Clauses 29.9.2 to 29.9.5, dollars is the currency of account and payment for any sum due from a Security Party under any Finance Document.

29.9.2 A repayment or payment of all or part of the Loan or an Unpaid Sum shall be made in the currency in which the Loan or Unpaid Sum is denominated on its due date.

29.9.3 Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.

29.9.4 Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

29.9.5 Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency.

29.10 **Control account** The Agent shall open and maintain on its books a control account in the names of the Borrowers showing the advance of the Loan and the computation and payment of interest and all other sums due under this Agreement. The Borrowers' obligations to repay the Loan and to pay interest and all other sums due under this Agreement shall be evidenced by the entries from time to time made in the control account opened and maintained under this Clause 29.10 and those entries will, in the absence of manifest error, be conclusive and binding.

29.11 **Change of currency**

29.11.1 Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(a) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrowers); and

(b) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).

29.11.2 If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrowers) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

29.12 **Disruption to payment systems etc.** If either the Agent determines in its discretion that a Disruption Event has occurred or the Agent is notified by the Borrowers that a Disruption Event has occurred:

29.12.1 the Agent may, and shall if requested to do so by the Borrowers, consult with the Borrowers with a view to agreeing with the Borrowers such changes to the operation or administration of the Loan as the Agent may deem necessary in the circumstances;

29.12.2 the Agent shall not be obliged to consult with the Borrowers in relation to any changes mentioned in Clause 29.12.1 if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to any such changes;

29.12.3 the Agent may consult with the Finance Parties in relation to any changes mentioned in Clause 29.12.1 but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

29.12.4 any such changes agreed upon by the Agent and the Borrowers shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 35 (*Amendments and Waivers*);

29.12.5 the Agent shall not be liable for any damages, costs or losses whatsoever (including, without limitation, for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 29.12; and

29.12.6 the Agent shall notify the Finance Parties of all changes agreed pursuant to Clause 29.12.4.

30 Set-Off

30.1 **Set-off** A Finance Party may set off any matured obligation due from a Security Party under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Security Party, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

30.2 **Master Agreement rights** The rights conferred on each Swap Provider by this Clause 30 shall be in addition to, and without prejudice to or limitation of, the rights of netting and set off conferred on each Swap Provider by each Master Agreement.

31 Notices

31.1 **Communications in writing** Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

31.2 **Addresses** The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

31.2.1 in the case of each Borrower, that identified with its name below;

31.2.2 in the case of each Guarantor, that identified with its name below;

31.2.3 in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party;

31.2.4 in the case of each Swap Provider, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and

31.2.5 in the case of the Agent or the Security Agent, that identified with its name below,

or any substitute address, fax number, or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

31.3 **Delivery** Any communication or document made or delivered by one Party to another under or in connection with the Finance Documents will only be effective:

31.3.1 if by way of fax, when received in legible form; or

31.3.2 if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 31.2 (*Addresses*), if addressed to that department or officer.

Any communication or document to be made or delivered to the Agent or the Security Agent will be effective only when actually received by the Agent or the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's or the Security Agent's signature below (or any substitute department or officer as the Agent or the Security Agent shall specify for this purpose).

All notices from or to a Security Party (save in respect of any Master Agreement) shall be sent through the Agent.

Any communication or document which becomes effective, in accordance with this Clause 31.3, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

31.4 **Notification of address and fax number** Promptly upon changing its address or fax number, the Agent shall notify the other Parties.

31.5 **Communication when Agent is Impaired Agent** If the Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Agent, communicate with each other directly and (while the Agent is an Impaired Agent) all

the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Agent has been appointed.

31.6 **English language** Any notice given under or in connection with any Finance Document must be in English. All other documents provided under or in connection with any Finance Document must be:

31.6.1 in English; or

31.6.2 if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

32 Calculations and Certificates

32.1 **Accounts** In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Agent pursuant to Clause 29.10 (*Control account*) are *prima facie* evidence of the matters to which they relate.

32.2 **Certificates and determinations** Any certification or determination by the Agent of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

32.3 **Day count convention** Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

33 Partial Invalidity

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

34 Remedies and Waivers

No failure to exercise, nor any delay in exercising, on the part of any Finance Party or Secured Party, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any Finance Document. No election to affirm any Finance Document on the part of any Finance Party or Secured Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

35 Amendments and Waivers

35.1 Required consents

35.1.1 Subject to Clause 35.2 (*Exceptions*) any term of the Finance Documents (other than the Master Agreements) may be amended or waived only with the consent of the Majority Lenders and the Borrowers and any such amendment or waiver will be binding on all Parties.

35.1.2 The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 35.

35.1.3 Without prejudice to the generality of Clauses 26.7.3, 26.7.4 and 26.7.5 (*Rights and discretions of the Agent*), the Agent may engage, pay for and rely on the services of lawyers in determining the consent level required for and effecting any amendment, waiver or consent under this Agreement.

35.2 Exceptions

35.2.1 An amendment, waiver or (in the case of a Security Document) a consent of, or in relation to, any term of any Finance Document that has the effect of changing or which relates to:

(a) the definition of "**Majority Lenders**" in Clause 1.1 (*Definitions*);

(b) an extension to the date of payment of any amount under the Finance Documents;

(c) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;

(d) an increase in any Commitment, an extension of the Availability Period or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably;

(e) any provision which expressly requires the consent of all the Lenders;

(f) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 24 (*Changes to the Lenders*), this Clause 35, Clause 40 (*Governing Law*) or Clause 41.1 (*Jurisdiction of English courts*);

(g) (other than as expressly permitted by the provisions of any Finance Document) the nature or scope of:

(i) any Guarantee;

(ii) the Charged Property; or

(iii) the manner in which the proceeds of enforcement of the Security Documents are distributed; or

(h) the release of any Guarantee or of any Encumbrance created or expressed to be created or evidenced by the Security Documents

unless permitted under this Agreement or any other Finance Document or relating to a sale or disposal of an asset which is the subject of any Encumbrance created or expressed to be created or evidenced by the Security Documents where such sale or disposal is expressly permitted under this Agreement or any other Finance Document;

shall not be made, or given, without the prior consent of all the Lenders.

35.2.2 An amendment or waiver which relates to the rights or obligations of the Agent, the Security Agent or the Arranger (each in their capacity as such) may not be effected without the consent of the Agent, the Security Agent or, as the case may be, the Arranger.

35.3 **Excluded Commitments**

If:

35.3.1 any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within ten Business Days of that request being made; or

35.3.2 any Lender which is not a Defaulting Lender fails to respond to such a request (other than an amendment, waiver or consent referred to in Clauses 35.2.1(b), 35.2.1(c) and 35.2.1(d) (*Exceptions*)) or such a vote within ten Business Days of that request being made,

(unless, in either case, the Borrowers and the Agent agree to a longer time period in relation to any request):

(a) its Commitment(s) shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and

(b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

35.4 **Replacement of Lender**

35.4.1 If:

(a) any Lender becomes a Non-Consenting Lender (as defined in Clause 35.4.4); or

(b) a Borrower or any other Security Party becomes obliged to repay any amount in accordance with Clause 7.1 (*Illegality*) or to pay additional amounts pursuant to Clause 12.2 (*Tax gross-up*), Clause 12.3 (*Tax Indemnity*) or Clause 13.1 (*Increased costs*) to any Lender,

then the Borrowers may, on ten Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 24 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Borrowers, which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 24 (*Changes to the Lenders*) for a purchase price in cash payable at the time of transfer in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest (to the extent that the Agent has not given a notification under Clause 24.9 (*Pro rata interest settlement*)), Break Costs and other amounts payable in relation thereto under the Finance Documents.

35.4.2 The replacement of a Lender pursuant to this Clause 35.4 shall be subject to the following conditions:

(a) the Borrowers shall have no right to replace the Agent or Security Agent;

(b) neither the Agent nor the Lender shall have any obligation to the Borrowers to find a Replacement Lender;

(c) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 15 Business Days after the date on which that Lender is deemed a Non-Consenting Lender;

(d) in no event shall the Lender replaced under this Clause 35.4 be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents; and

(e) the Lender shall only be obliged to transfer its rights and obligations pursuant to Clause 35.4.1 once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer.

35.4.3 A Lender shall perform the checks described in Clause 35.4.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 35.4.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks.

35.4.4 In the event that:

(a) the Borrowers or the Agent (at the request of the Borrowers) have requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents;

(b) the consent, waiver or amendment in question requires the approval of all the Lenders; and

(c) Lenders whose Commitments, aggregate more than $66^{2}/_{3}$ per cent of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than $66^{2}/_{3}$ per cent of the Total Commitments prior to that reduction) have consented or agreed to such waiver or amendment,

then any Lender who does not and continues not to consent or agree to such waiver or amendment shall be deemed a "**Non-Consenting Lender**".

35.5 **Disenfranchisement of Defaulting Lenders**

35.5.1 For so long as a Defaulting Lender has any Commitment, in ascertaining:

(a) the Majority Lenders; or

(b) whether:

(i) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments; or

(ii) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents, that Defaulting Lender's Commitment will be reduced by the amount of its participation in the Loan it has failed to make available and, to the extent that that reduction results in that Defaulting Lender's Commitment being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of (i) and (ii).

35.5.2 For the purposes of this Clause 35.5, the Agent may assume that the following Lenders are Defaulting Lenders:

(a) any Lender which has notified the Agent that it has become a Defaulting Lender;

(b) any Lender in relation to which it is aware that any of the events or circumstances referred to in (a), (b) or (c) of the definition of "Defaulting Lender" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

35.6 **Replacement of a Defaulting Lender**

35.6.1 The Borrowers may, at any time a Lender has become and continues to be a Defaulting Lender, by giving ten Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant

to Clause 24 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Borrowers which confirms its willingness to assume and does assume all the obligations, or all the relevant obligations, of the transferring Lender in accordance with Clause 24 (*Changes to the Lenders*) for a purchase price in cash payable at the time of transfer which is either:

(a) in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest (to the extent that the Agent has not given a notification under Clause 24.9 (*Pro rata interest settlement*), Break Costs and other amounts payable in relation thereto under the Finance Documents; or

(b) in an amount agreed between that Defaulting Lender, the Replacement Lender and the Borrowers and which does not exceed the amount described in (a).

35.6.2 Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause 35.6 shall be subject to the following conditions:

(a) the Borrowers shall have no right to replace the Agent or Security Agent;

(b) neither the Agent nor the Defaulting Lender shall have any obligation to the Borrowers to find a Replacement Lender;

(c) the transfer must take place no later than 10 Business Days after the notice referred to in Clause 35.6.1;

(d) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents; and

(e) the Defaulting Lender shall only be obliged to transfer its rights and obligations pursuant to 35.6.1 once it is satisfied that it has complied with all necessary "know your customer or other similar checks under all applicable laws and regulations in relation to that transfer to the Replacement Lender.

35.6.3 The Defaulting Lender shall perform the checks described in Clause 35.6.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 35.6.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks.

36 Confidentiality

36.1 **Confidential Information** Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 36.2 (*Disclosure of Confidential Information*) and Clause 36.3 (*Disclosure to numbering service providers*), and to ensure that all Confidential

Information is protected with security measures and a degree of care that would apply to its own confidential information.

36.2 **Disclosure of Confidential Information** Any Finance Party may disclose:

36.2.1 to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this Clause 36.2.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

36.2.2 to any person:

(a) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Agent or Security Agent and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(b) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Security Parties and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(c) appointed by any Finance Party or by a person to whom Clause 36.2.2(a) or 36.2.2(b) applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under Clause 26.16 (*Relationship with the Lenders*));

(d) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in Clause 36.2.2(a) or 36.2.2(b);

(e) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(f) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(g) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 24.8 (*Security over Lenders' rights*);

(h) who is a Party; or

(i) with the consent of the Borrowers;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

(i) in relation to Clauses 36.2.2(a), 36.2.2(b) and 36.2.2(c), the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(ii) in relation to Clause 36.2.2(d), the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(iii) in relation to Clauses 36.2.2(e), 36.2.2(f) and 36.2.2(g), the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

36.2.3 to any person appointed by that Finance Party or by a person to whom Clause 36.2.2(a) or 36.2.2(b) applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this Clause 36.2.3 if the service provider to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking; and

36.2.4 to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency

to carry out its normal rating activities in relation to the Finance Documents and/or the Security Parties if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information. Any Lender may also disclose the size and term of the Loan and the name of each of the Security Parties to any investor or a potential investor in a securitisation (or similar transaction of broadly equivalent economic effect) of that Lender's rights or obligations under the Finance Documents.

36.3 **Disclosure to numbering service providers**

36.3.1 Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Loan and/or one or more Security Parties the following information:

(a) names of Security Parties;

(b) country of domicile of Security Parties;

(c) place of incorporation of Security Parties;

(d) date of this Agreement;

(e) Clause 40 (*Governing law*);

(f) the names of the Agent and the Arranger;

(g) date of each amendment and restatement of this Agreement;

(h) amount of Total Commitments;

(i) currencies of the Loan;

(j) type of Loan;

(k) ranking of the Loan;

(l) Termination Date;

(m) changes to any of the information previously supplied pursuant to (a) to (I); and

(n) such other information agreed between such Finance Party and that Security Party,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

36.3.2 The Parties acknowledge and agree that each identification number assigned to this Agreement, the Loan and/or one or more Security Parties by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

36.3.3 Each Borrower represents that none of the information set out in Clauses 36.3.1(a) to 36.3.1(n) is, nor will at any time be, unpublished price-sensitive information.

36.3.4 The Agent shall notify the Borrowers and the other Finance Parties of:

(a) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Loan and/or one or more Security Parties; and

(b) the number or, as the case may be, numbers assigned to this Agreement, the Loan and/or one or more Security Parties by such numbering service provider.

36.4 **Entire agreement** This Clause 36 constitutes the entire agreement between the Parties in relation to the' obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

36.5 **Inside information** Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

36.6 **Notification of disclosure** Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrowers:

36.6.1 of the circumstances of any disclosure of Confidential Information made pursuant to Clause 36.2.2(e) (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that Clause during the ordinary course of its supervisory or regulatory function; and

36.6.2 upon becoming aware that Confidential Information has been disclosed in breach of this Clause 36.

36.7 **Continuing obligations** The obligations in this Clause 36 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of 12 months from the earlier of:

36.7.1 the date on which all amounts payable by the Security Parties under or in connection with the Finance Documents have been paid in full and the Loan has been cancelled or otherwise ceases to be available; and

36.7.2 the date on which such Finance Party otherwise ceases to be a Finance Party.

37 Disclosure of Lender Details by Agent

37.1 **Supply of Lender details to Borrowers** The Agent shall provide to the Borrowers within seven Business Days of a request by the Borrowers (but no more frequently than once per calendar month) a list (which may be in electronic form) setting out

the names of the Lenders as at the date of that request, their respective Commitments, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made) of each Lender for any communication to be made or document to be delivered under or in connection with the Finance Documents and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.

37.2 **Supply of Lender details at Borrowers' direction**

37.2.1 The Agent shall, at the request of the Borrowers, disclose the identity of the Lenders and the details of the Lenders' Commitments to any:

(a) other Party or any other person if that disclosure is made to facilitate, in each case, a refinancing of the Financial Indebtedness arising under the Finance Documents or a material waiver or amendment of any term of any Finance Document; and

(b) Security Party.

37.2.2 Subject to Clause 37.2.3, the Borrowers shall procure that the recipient of information disclosed pursuant to Clause 37.2.1 shall keep such information confidential and shall not disclose it to anyone and shall ensure that all such information is protected with security measures and a degree of care that would apply to the recipient's own confidential information.

37.2.3 The recipient may disclose such information to any of its officers, directors, employees, professional advisers, auditors and partners as it shall consider appropriate if any such person is informed in writing of its confidential nature, except that there shall be no such requirement to so inform if that person is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by duties of confidentiality in relation to the information.

37.3 **Supply of Lender details to other Lenders**

37.3.1 If a Lender (a "**Disclosing Lender**") indicates to the Agent that the Agent may do so, the Agent shall disclose that Lender's name and Commitment to any other Lender that is, or becomes, a Disclosing Lender.

37.3.2 The Agent shall, if so directed by the Requisite Lenders, request each Lender to indicate to it whether it is a Disclosing Lender.

37.4 **Lender enquiry** If any Lender believes that any entity is, or may be, a Lender and:

37.4.1 that entity ceases to have an Investment Grade Rating; or

37.4.2 an Insolvency Event occurs in relation to that entity,

the Agent shall, at the request of that Lender, indicate to that Lender the extent to which that entity has a Commitment.

37.5 **Lender details definitions** In this Clause 37:

"**Investment Grade Rating**" means, in relation to an entity, a rating for its long-term unsecured and non-credit-enhanced debt obligations of BBB- or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or Baa3 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency.

"**Requisite Lenders**" means a Lender or Lenders whose Commitments aggregate 15 per cent (or more) of the Total Commitments (or if the Total Commitments have been reduced to zero, aggregated 15 per cent (or more) of the Total Commitments immediately prior to that reduction).

38 Counterparts

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

39 Joint and Several Liability

39.1 **Nature of liability** The representations, warranties, covenants, obligations and undertakings of the Borrowers contained in this Agreement shall be joint and several so that each Borrower shall be jointly and severally liable with all the Borrowers for all of the same and such liability shall not in any way be discharged, impaired or otherwise affected by:

39.1.1 any forbearance (whether as to payment or otherwise) or any time or other indulgence granted to any other Borrower or any other Security Party under or in connection with any Finance Document;

39.1.2 any amendment, variation, novation or replacement of any other Finance Document;

39.1.3 any failure of any Finance Document to be legal valid binding and enforceable in relation to any other Borrower or any other Security Party for any reason;

39.1.4 the winding-up or dissolution of any other Borrower or any other Security Party;

39.1.5 the release (whether in whole or in part) of, or the entering into of any compromise or composition with, any other Borrower or any other Security Party; or

39.1.6 any other act, omission, thing or circumstance which would or might, but for this provision, operate to discharge, impair or otherwise affect such liability.

39.2 **No rights as surety** Until the Indebtedness has been unconditionally and irrevocably paid and discharged in full, each Borrower agrees that it shall not, by virtue of any payment made under this Agreement on account of the Indebtedness or by virtue of any enforcement by a Finance Party of its rights under this Agreement or by virtue of any relationship between, or transaction involving, the relevant Borrower and any other Borrower or any other Security Party:

39.2.1 exercise any rights of subrogation in relation to any rights, security or moneys held or received or receivable by a Finance Party or any other person; or

39.2.2 exercise any right of contribution from any other Borrower or any other Security Party under any Finance Document; or

39.2.3 exercise any right of set-off or counterclaim against any other Borrower or any other Security Party; or

39.2.4 receive, claim or have the benefit of any payment, distribution, security or indemnity from any other Borrower or any other Security Party; or

39.2.5 unless so directed by the Agent (when the relevant Borrower will prove in accordance with such directions), claim as a creditor of any other Borrower or any other Security Party in competition with any Finance Party

and each Borrower shall hold in trust for the Finance Parties and forthwith pay or transfer (as appropriate) to the Agent any such payment (including an amount equal to any such set-off), distribution or benefit of such security, indemnity or claim in fact received by it.

Section 12 Governing Law and Enforcement

40 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

41 Enforcement

41.1 **Jurisdiction of English courts** The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**"). Each Party agrees that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

This Clause 41.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, any Finance Party may take concurrent proceedings in any number of jurisdictions.

41.2 **Service of process**

41.2.1 Without prejudice to any other mode of service allowed under any relevant law each Borrower and each Guarantor:

(a) irrevocably appoints Nicolaou & Co of 25 Heath Drive, Potters Bar, Hertfordshire, EN6 1EN, England as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document to which they are a party; and

(b) agrees that failure by a process agent to notify that Borrower or that Guarantor (as the case may be) of the process will not invalidate the proceedings concerned.

41.2.2 If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process or terminates its appointment as agent for service of process, the relevant Borrower or relevant Guarantor (as the case may be) must immediately (and in any event within five days of such event taking place) appoint another agent on terms acceptable to the Agent. Failing this, the Agent may appoint another agent for this purpose.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Schedule 1 Part I

The Original Lenders

Name of Original Lender	Commitment
The Royal Bank of Scotland plc	$148,000,000

Part II

The Original Swap Providers

Name of Original Swap Provider
The Royal Bank of Scotland plc

Schedule 2 Part I

Conditions Precedent

1 **Security Parties**

(a) **Constitutional documents** Copies of the constitutional documents of each Security Party and DSI together with such other evidence as the Agent may reasonably require that each such Security Party and DSI is duly incorporated in its country of incorporation and remains in existence with power to enter into, and perform its obligations under, the Finance Documents to which it is or is to become a party.

(b) **Certificates of good standing** A certificate of good standing in respect of each Security Party and DSI (if such a certificate can be obtained).

(c) **Board resolutions** A copy of a resolution of the board of directors or, as the case may be, the duly appointed and empowered executive committee of each Security Party and DSI:

(i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute those Finance Documents; and

(ii) authorising a specified person or persons to execute those Finance Documents (and all documents and notices to be signed and/or dispatched under those documents) on its behalf.

(d) **Copy passports** A copy of the passport of each person who will execute the Finance Documents referred to in (c).

(e) **Officer's certificates** An original certificate of a duly authorised officer of each Security Party and DSI:

(i) certifying that each copy document relating to it specified in this Part I of Schedule 2 is correct, complete and in full force and effect;

(ii) setting out the names of the directors and officers of that Security Party and DSI; and

(iii) setting out the names of the shareholders of that Security Party (other than the Original Guarantor) and the proportion of shares held by each shareholder; and

(iv) confirming that borrowing or guaranteeing or securing, as appropriate, the Loan would not cause any borrowing, guarantee, security or similar limit binding on that Security Party or (as the case may be) DSI to be exceeded.

(f) **Powers of attorney** The original certified and legalised power of attorney of each of the Security Parties and DSI under which the Finance Documents

to which it is or is to become a party are to be executed or transactions undertaken by that Security Party or (as the case may be) DSI.

2 **Security and related documents**

(a) **Vessel documents** Photocopies, certified as true, accurate and complete by a director or the secretary of a Borrower, of:

(i) in respect of each New Vessel only, the MOA;

(ii) in respect of each New Vessel only, the bill of sale transferring title in the Vessel to the Borrower free of all encumbrances, maritime liens or other debts;

(iii) in respect of each New Vessel only, the protocol of delivery and acceptance evidencing the unconditional physical delivery of the Vessel by the Seller to the Borrower pursuant to the MOA;

(iv) any charterparty or other contract of employment of the Vessel which will be in force on the Drawdown Date including, without limitation, any Charter;

(v) the Management Agreements;

(vi) the Vessel's current Safety Construction, Safety Equipment, Safety Radio and Load Line Certificates;

(vii) evidence of the Vessel's current Certificate of Financial Responsibility issued pursuant to the United States Oil Pollution Act 1990;

(viii) the Vessel's current SMC;

(ix) the ISM Company's current DOC;

(x) the Vessel's current ISSC;

(xi) the Vessel's current IAPPC; and

(xii) the Vessel's current Tonnage Certificate,

in each case together with all addenda, amendments or supplements.

(b) **Evidence of Seller's title** In respect of each New Vessel only, certificate of ownership and encumbrance (or equivalent) issued by the Registrar of Ships (or equivalent official) of the Vessel's current flag confirming that the Vessel is owned by the Seller and free of registered Encumbrances and an undertaking by the Seller to delete the Vessel from its current flag.

(c) **Evidence of Borrower's title** Evidence that on the Drawdown Date (i) the Vessel will be at least provisionally registered under the flag stated in the Preliminary in the ownership of the Borrower and (ii) the Mortgage will be capable of being registered against the Vessel with first priority.

(d) **Evidence of insurance** Evidence that the Vessel is insured in the manner required by the Security Documents and that letters of undertaking will be issued in the manner required by the Security Documents, together with (if required by the Agent) the written approval of the Insurances by an insurance adviser appointed by the Agent.

(e) **Confirmation of class** A Certificate of Confirmation of Class for hull and machinery confirming that the Vessel is classed with the highest class applicable to vessels of her type with Nippon Kaiji Kyokai, DNV GL, Bureau Veritas, American Bureau of Shipping, Lloyd's Register, The Korean Register of Shipping, China Classification Society or such other classification society as may be acceptable to the Agent free of recommendations affecting class.

(f) **Survey report** If required by the Agent, a report by a surveyor instructed by the Agent to inspect the Vessel confirming that the condition of the Vessel is in all respects acceptable to the Agent.

(g) **Valuation of each Vessel** A valuation of the Vessel addressed to the Agent from an Approved Broker appointed by the Agent certifying the Market Value for the Vessel, acceptable to the Agent.

(h) **Valuation of the Collateral Vessel** If the Collateral Owner has acceded to this Agreement pursuant to Clause 25.2.1, a valuation of the Collateral Vessel addressed to the Agent from an Approved Broker appointed by the Agent certifying the Market Value for the Collateral Vessel, acceptable to the Agent.

(i) **Security Documents** The Guarantee, the Mortgage, the Assignment, the Share Pledges, the Manager's Undertakings in respect of each Vessel, the Account Security Deeds, the Master Agreement Proceeds Charges and any other Credit Support Documents, together with all other documents required by any of them, including, without limitation (i) all notices of assignment and/or charge and evidence that those notices will be duly acknowledged by the recipients and (ii) all share certificates, certified copy share registers or registers of members, transfer forms, proxy forms, letters of resignation and letters of undertaking.

(j) **Mandates** Such duly signed forms of mandate, and/or other evidence of the opening of the Accounts, as the Security Agent may require.

(k) **No disputes** The written confirmation of the Borrowers that there is no dispute under any of the Relevant Documents as between the parties to any such document.

(l) **Account Holder's confirmation** The written confirmation of the Account Holder that the Accounts have been opened with the Account Holder and to its actual knowledge are free from Encumbrances other than as created by or pursuant to the Security Documents and rights of set off in favour of the Account Holder as account holder.

(m) **Master Agreements** The Master Agreements.

(n) **Intercreditor Deed** The Intercreditor Deed.

(o) **Other Relevant Documents** Copies of each of the Relevant Documents not otherwise comprised in the documents listed in this Part I of Schedule 2.

3 **Legal opinions**

The following legal opinions, each addressed to the Agent, the Security Agent, the Swap Providers and the Lenders and capable of being relied upon by any persons who become Lenders pursuant to the primary syndication of the Loan or confirmation satisfactory to the Agent that such opinions will be given:

(a) a legal opinion of Stephenson Harwood LLP, legal advisers to the Agent as to English law substantially in the form distributed to the Lenders prior to signing this Agreement; and

(b) a legal opinion of Poles, Tublin, Stratakis & Gonzalez LLP, legal advisers to the Agent as to Marshall Islands law substantially in the form distributed to the Lenders prior to the signing of this Agreement.

4 **Other documents and evidence**

(a) **Drawdown Request** A duly completed Drawdown Request.

(b) **Process agent** Evidence that any process agent referred to in Clause 41.2 (*Service of* process) and any process agent appointed under any other Finance Document has accepted its appointment.

(c) Other Authorisations A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrowers accordingly) in connection with the entry into and performance of the transactions contemplated by any Relevant Document or for the validity and enforceability of any Relevant Document.

(d) **Financial statements** A copy of the Original Financial Statements.

(e) **Fees** The Fee Letters and evidence that the fees, costs and expenses then due from the Borrowers under Clause 11 (*Fees*) and Clause 16 (*Costs and Expenses*) have been paid or will be paid by the relevant Drawdown Date.

(f) "**Know your customer**" **documents** Such documentation and other evidence as is reasonably requested by the Agent in order for the Lenders to comply with all necessary "know your customer" or similar identification procedures in relation to the transactions contemplated in the Finance Documents.

(g) **Existing Loan Agreement** Evidence satisfactory to the Agent that the Existing Indebtedness pursuant to the Existing Loan Agreement will be repaid in full by the advance of the Initial Vessel Tranches and all Encumbrances in respect of each Vessel created pursuant to the Existing Loan Agreement will be discharged simultaneously with the advance of the Initial Vessel Tranches.

(h) **Collateral Security Document** If the Collateral Owner has acceded to this Agreement pursuant to Clause 25.2.1, the Accession Deed and the Collateral Security Documents.

(i) **DSI Loan** Evidence satisfactory to the Agent that the DSI Loan has been amended whereby:

(a) the maturity date of the DSI Loan shall be at least six months after the Termination Date;

(b) amounts due to DSI under the DSI Loan are subordinated to the Indebtedness on terms acceptable to the Agent;

(c) during the Facility Period, repayments pursuant to the -DSI Loan shall not exceed $5,000,000 per year or $32,500,000 in aggregate;

(d) no Encumbrance is required to be granted over any assets of the Group in favour of DSI as security for the DSI Loan save for Encumbrances in respect of the m.v. "PUELO", a vessel in the ownership of Eluk registered under the flag of the Marshall Islands; and

(e) DSI has consented to the Borrowers entering into this Agreement.

Part H

Conditions Subsequent

1 **Evidence of Borrower's title** Certificate of ownership and encumbrance (or equivalent) issued by the Registrar of Ships (or equivalent official) of the flag stated the Preliminary confirming that (a) the Vessel is permanently registered under that flag in the ownership of the Borrower, (b) the Mortgage has been registered with first priority against the Vessel and (c) there are no further Encumbrances registered against the Vessel.

2 **Deletion by Seller** Evidence that the Vessel has been deleted from its current flag.

3 **Letters of undertaking** Letters of undertaking in respect of the Insurances as required by the Security Documents together with copies of the relevant policies or cover notes or entry certificates duly endorsed with the interest of the Finance Parties.

4 **Acknowledgements of notices** Acknowledgements of all notices of assignment and/or charge given pursuant to any Security Documents received by the Agent pursuant to Part I of this Schedule 2.

5 **Legal opinions** Such of the legal opinions specified in Part I of this Schedule 2 as have not already been provided to the Agent.

6 **Master's receipt** The master's receipt for the Mortgage.

Schedule 3

Drawdown Request

From: **Likiep Shipping Company Inc.**
Orangina Inc.
Oruk Shipping Company Inc.
Delap Shipping Company Inc.
Jabor Shipping Company Inc.
Kapa Shipping Company Inc.
Mago Shipping Company Inc.
Meck Shipping Company Inc.
Langor Shipping Company Inc.

To: **The Royal Bank of Scotland plc**

Dated:

Dear Sirs

Likiep Shipping Company Inc., Orangina Inc., Oruk Shipping Company Inc., Delap Shipping Company Inc., Jabor Shipping Company Inc., Kapa Shipping Company Inc., Mago Shipping Company Inc., Meck Shipping Company Inc. and Langor Shipping Company Inc. - US$148,000,000 Loan Agreement dated [ ] (the "Agreement")

1 We refer to the Agreement. This is a Drawdown Request. Terms defined in the Agreement have the same meaning in this Drawdown Request unless given a different meaning in this Drawdown Request.

2 We wish to borrow the Tranche[s] specified below on the following terms:

Proposed Drawdown Date	[ ] (or, if that is not a Business Day, the next Business Day
Currency of Tranche:	United States Dollars
Amount:	US$[ ]
Tranches:	[Initial Vessel Tranches]/[Tranche H]/[Tranche I]
Vessel[s]:	[Initial Vessels]/[Vessel H]/[Vessel I]
Interest Period:	[3][6] months

3 We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Drawdown Request.

4 [The proceeds of Tranche A should be paid to the Earnings Account of Borrower A, in prepayment of the Existing Indebtedness pursuant to the Existing Loan Agreement, with account details:

[ ] - USD - 1

5 The proceeds of Tranche B should be paid to the Earnings Account of Borrower B, in prepayment of the Existing Indebtedness pursuant to the Existing Loan Agreement, with account details:

[ ] - USD - 1

6 The proceeds of Tranche C should be paid to the Earnings Account of Borrower C, in prepayment of the Existing Indebtedness pursuant to the Existing Loan Agreement, with account details:

[ ] - USD - 1

7 The proceeds of Tranche D should be paid to the Earnings Account of Borrower D, in prepayment of the Existing Indebtedness pursuant to the Existing Loan Agreement, with account details:

[ ] - USD - 1

8 The proceeds of Tranche E should be paid to the Earnings Account of Borrower E, in prepayment of the Existing Indebtedness pursuant to the Existing Loan Agreement, with account details:

[ ] - USD - 1

9 The proceeds of Tranche F should be paid to the Earnings Account of Borrower F, in prepayment of the Existing Indebtedness pursuant to the Existing Loan Agreement, with account details:

[ ] - USD - 1

10 The proceeds of Tranche G should be paid to the Earnings Account of Borrower G, in prepayment of the Existing Indebtedness pursuant to the Existing Loan Agreement, with account details:

[ ] - USD - 1

11 [The proceeds of Tranche [H][I] should be paid to the Earnings Account of Borrower [H][I], and therefore be transferred to the following account of the relevant Seller:

[ ]]

12 This Drawdown Request is irrevocable.

Yours faithfully

_____

authorised signatory for

Likiep Shipping Company Inc.

Orangina Inc.

Oruk Shipping Company Inc.

Delap Shipping Company Inc.

Jabor Shipping Company Inc.

Kapa Shipping Company Inc.

Mago Shipping Company Inc.

Meck Shipping Company Inc.

Langor Shipping Company Inc.

Schedule 4

Form of Transfer Certificate

To: [ ], as Agent and [ ] as Security Agent

From: *[The Existing Lender]* (the "**Existing Lender**") and *[The New Lender]* (the "**New Lender**")

Dated:

Likiep Shipping Company Inc., Orangina Inc., Oruk Shipping Company Inc., Delap Shipping Company Inc., Jabor Shipping Company Inc., Kapa Shipping Company Inc., Mago Shipping Company Inc., Meck Shipping Company Inc. and Langor Shipping Company Inc. - US$148,000,000 Loan Agreement dated [ ] (the "Loan Agreement")

1 We refer to the Loan Agreement. This agreement (the "**Agreement**") shall take effect as a Transfer Certificate for the purposes of the Loan Agreement. Terms defined in the Loan Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2 We refer to Clause 24.5 (*Procedure for transfer*) of the Loan Agreement:

(a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation and in accordance with Clause 24.5 (*Procedure for transfer*) all of the Existing Lender's rights and obligations under the Loan Agreement and the other Finance Documents which relate to that portion of the Existing Lender's Commitment(s) and participations in the Loan under the Loan Agreement as specified in the Schedule.

(b) The proposed Transfer Date is [ ].

(c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 31.2 (*Addresses*) are set out in the Schedule.

3 The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 24.4.1(c) (*Limitation of responsibility of Existing Lenders*).

4 This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

5 This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

6 This Agreement has been entered into on the date stated at the beginning of this Agreement.

Note: **The execution of this Transfer Certificate may not transfer a proportionate share of the Existing Lender's interest in any Encumbrance created or expressed to be created or evidenced by the Security Documents in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.**

The Schedule

Commitment/rights and obligations to be transferred

[insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments,]

[Existing Lender] [New Lender]

By: By:

This Agreement is accepted as a Transfer Certificate for the purposes of the Loan Agreement by the Agent and the Transfer Date is confirmed as [ ].

[Agent]

By:

[Security Agent]

By:

Schedule 5

Form of Assignment Agreement

To: [ ] as Agent, [ ] as Security Agent and Likiep Shipping Company Inc., Orangina Inc., Oruk Shipping Company Inc., Delap Shipping Company Inc., Jabor Shipping Company Inc., Kapa Shipping Company Inc., Mago Shipping Company Inc., Meck Shipping Company Inc. and Langor Shipping Company Inc. as Borrowers, for and on behalf of each Security Party

From: *[the Existing Lender]* (the "**Existing Lender**") and [the *New Lender]* (the "**New Lender**")

Dated:

Likiep Shipping Company Inc., Orangina Inc., Oruk Shipping Company Inc., Delap Shipping Company Inc., Jabor Shipping Company Inc., Kapa Shipping Company Inc., Mago Shipping Company Inc., Meck Shipping Company Inc. and Langor Shipping Company Inc. - US$148,000,000 Loan Agreement dated [ ] (the "Loan Agreement")

1 We refer to the Loan Agreement. This is an Assignment Agreement. This agreement (the "**Agreement**") shall take effect as an Assignment Agreement for the purpose of the Loan Agreement. Terms defined in the Loan Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2 We refer to Clause 24.6 (*Procedure for assignment*) of the Loan Agreement:

(a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Loan Agreement, the other Finance Documents and in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents which correspond to that portion of the Existing Lender's Commitment(s) and participations in the Loan under the Loan Agreement as specified in the Schedule.

(b) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender's Commitment(s) and participations in the Loan under the Loan Agreement specified in the Schedule.

(c) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b).

3 The proposed Transfer Date is [ ].

4 On the Transfer Date the New Lender becomes Party to the relevant Finance Documents as a Lender.

5 The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 31.2 (*Addresses*) are set out in the Schedule.

6 The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 24.4.3 (*Limitation of responsibility of Existing Lenders*).

7 This Agreement acts as notice to the Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 24.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrowers*), to the Borrowers (on behalf of each Security Party) of the assignment referred to in this Agreement.

8 This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

9 This Agreement [and any non-contractual obligations arising out of or in connection with it] [is/are] governed by English law.

10 This Agreement has been entered into on the date stated at the beginning of this Agreement.

Note: The execution of this Assignment Agreement may not transfer a proportionate share of the Existing Lender's interest in any Encumbrance created or expressed to be created or evidenced by the Security Documents in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

The Schedule

Commitment/rights and obligations to be transferred by assignment, release and accession

[insert relevant details]

[Facility office address, fax number and attention details for notices and account details for payments]

[Existing Lender] [New Lender]

By: By:

This Agreement is accepted as an Assignment Agreement for the purposes of the Loan Agreement by the Agent and the Transfer Date is confirmed as [ ].

Signature of this Agreement by the Agent constitutes confirmation by the Agent of receipt of notice of the assignment referred to in this Agreement, which notice the Agent receives on behalf of each Finance Party.

[Agent]

By:

[Security Agent]

By:

Schedule 6

Form of Accession Deed - Additional Guarantor

To: [ ] as Agent and [ ] as Security Agent for itself and each of the other Finance Parties

From: Utirik Shipping Company Inc. (the "**Collateral Owner**")

Dated:

Dear Sirs

Likiep Shipping Company Inc., Orangina Inc., Oruk Shipping Company Inc., Delap Shipping Company Inc., Jabor Shipping Company Inc., Kapa Shipping Company Inc., Mago Shipping Company Inc., Meck Shipping Company Inc. and Langor Shipping Company Inc. - US$148,000,000 Loan Agreement dated [ ] 2015 (the "Agreement")

1 We refer to the Agreement. This deed (the "**Accession Deed**") shall take effect as the Accession Deed for the purposes of the Agreement. Terms defined in the Agreement have the same meaning in paragraphs 1-3 of this Accession Deed unless given a different meaning in this Accession Deed.

2 The Collateral Owner agrees to become the Additional Guarantor and to be bound by the terms of the Agreement and the other Finance Documents as the Additional Guarantor pursuant to Clause 25.2 (*Additional Guarantor*) of the Agreement.

3 The Collateral Owner's administrative details for the purposes of the Agreement are as follows:

Address:

Fax No.:

Attention:

This Accession Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

This Accession Deed has been executed as a deed on behalf of the Borrowers, the Guarantor and the Collateral Owner and is delivered on the date stated above.

Signed and **delivered**)
as a **Deed**)
by: [**Name of each Borrower**])
acting by)
)
its duly authorised)
)
in the presence of:)

Witness signature:
Name:
Address:

Signed and **delivered**)
as a **Deed**)
by: **Diana Containerships Inc.**)
acting by)
)
its duly authorised)
)
in the presence of:)

Witness signature:
Name:
Address:

Signed and **delivered**)
as a **Deed**)
by: **Utirik Shipping Company Inc.**)
acting by)
)
its duly authorised)
)
in the presence of:)

Witness signature:
Name:
Address:

Schedule 7

Form of Accession Deed - Swap Provider

To: [ ] as Agent and [ ] as Security Agent for itself and each of the other Finance Parties

From: [ ] (the "**Acceding Swap Provider**")

Dated:

Dear Sirs

Likiep Shipping Company Inc., Orangina Inc., Oruk Shipping Company Inc., Delap Shipping Company Inc., Jabor Shipping Company Inc., Kapa Shipping Company Inc., Mago Shipping Company Inc., Meck Shipping Company Inc. and Langor Shipping Company Inc. - US$148,000,000 Loan Agreement dated [ ] 2015 (the "Agreement")

1 We refer to the Agreement. This deed (the "**Accession Deed**") shall take effect as a Swap Provider Accession Deed for the purposes of the Agreement. Terms defined in the Agreement have the same meaning in paragraphs 1-3 of this Swap Provider Accession Deed unless given a different meaning in this Swap Provider Accession Deed.

2 The Acceding Swap Provider agrees to become a Swap Provider and to be bound by the terms of the Agreement and the other Finance Documents as an Acceding Swap Provider pursuant to Clause 24.10 (*Swap Provider Accession*) of the Agreement.

3 The Acceding Swap Provider's administrative details for the purposes of the Agreement are as follows:

Address:

Fax No.:

Attention:

This Swap Provider Accession Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

This Swap Provider Accession Deed has been executed as a deed on behalf of the Acceding Swap Provider, the Agent and the Security Agent and is delivered on the date stated above.

Signed and **delivered**)
as a **Deed**)
by: [**Name of Acceding Swap Provider**])
acting by)
)
its duly authorised)
)
in the presence of:)

Witness signature:
Name:
Address:

Signed and **delivered**)
as a **Deed**)
by: [**Name of Agent**])
acting by)
)
its duly authorised)
)
in the presence of:)

Witness signature:
Name:
Address:

Signed and **delivered**)
as a **Deed**)
by: [**Name of Security Agent**])
acting by)
)
its duly authorised)
)
in the presence of:)

Witness signature:
Name:
Address:

Schedule 8

Form of Compliance Certificate

To: [ ] as Agent

From: Diana Containerships Inc.

Dated:

Dear Sirs

Likiep Shipping Company Inc., Orangina Inc., Oruk Shipping Company Inc., Delap Shipping Company Inc., Jabor Shipping Company Inc., Kapa Shipping Company Inc., Mago Shipping Company Inc., Meck Shipping Company Inc. and Langor Shipping Company Inc. - US$148,000,000 Loan Agreement dated [ ] 2015 (the "Agreement")

1 We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2 We confirm that:

2.1 we have a ratio of Consolidated Net Debt to Consolidated Market Adjusted Assets less Consolidated Cash and Cash Equivalents of [ ];

2.2 we have a Consolidated Market Adjusted Net Worth of $[ ];

2.3 we have a ratio of Consolidated Operating Cash Flow to Consolidated Interest Costs in respect of the preceding 12 month period of [ ];

2.4 a balance of $[[8][9],000,000] is credited to the Liquidity Account; and

2.5 the aggregate of amounts standing to the credit of the Liquidity Account, the Earnings Accounts, Unrestricted Consolidated Cash and Cash Equivalents are [ ], and there are [ ] vessels in the Fleet, meaning the aggregate of amounts standing to the credit of the Liquidity Account, the Earnings Accounts, Unrestricted Consolidated Cash and Cash Equivalents [exceed] $500,000 per vessel in the Fleet.

3 [We confirm that no Default is continuing.][1]

Signed: _____ _____

Officer Officer

of of

Diana Containerships Inc. Diana Containerships Inc.

[1] If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any being taken to remedy it.

Signatures

The Borrowers

Likiep Shipping Company Inc.	)
	)
By: Andrew Nikolaos Michalopoulos	) /s/ Andrew Nikolaos Michalopoulos
	)
Address: c/o Pendelis 18,	)
175 64 Palaio Faliro,	)
Athens, Greece	)
Fax no.: +30 216 6002599	)
Department/Officer: Chief Financial Officer	)

Orangina Inc.	)
	)
By: Andrew Nikolaos Michalopoulos	) /s/ Andrew Nikolaos Michalopoulos
	)
Address: c/o Pendelis 18,	)
175 64 Palaio Faliro,	)
Athens, Greece	)
Fax no.: +30 216 6002599	)
Department/Officer: Chief Financial Officer	)

Oruk Shipping Company Inc.	)
	)
By: Andrew Nikolaos Michalopoulos	) /s/ Andrew Nikolaos Michalopoulos
	)
Address: c/o Pendelis 18,	)
175 64 Palaio Faliro,	)
Athens, Greece	)
Fax no.: +30 216 6002599	)
Department/Officer: Chief Financial Officer	)

Delap Shipping Company Inc.	)
	)
By: Anastasios Margaronis	) /s/ Anastasios Margaronis
	)
Address: c/o Pendelis 18,	)
175 64 Palaio Faliro,	)
Athens, Greece	)
Fax no.: +30 216 6002599	)
Department/Officer: Chief Financial Officer	)

Jabor Shipping Company Inc.)
)
By: Anastasios Margaronis) /s/ Anastasios Margaronis
)
Address: c/o Pendelis 18,)
175 64 Palaio Faliro,)
Athens, Greece)
Fax no.: +30 216 6002599)
Department/Officer: Chief Financial Officer)

Kapa Shipping Company Inc.)
)
By: Anastasios Margaronis) /s/ Anastasios Margaronis
)
Address: c/o Pendelis 18,)
175 64 Palaio Faliro,)
Athens, Greece)
Fax no.: +30 216 6002599)
Department/Officer: Chief Financial Officer)

Mago Shipping Company Inc.)
)
By: Anastasios Margaronis) /s/ Anastasios Margaronis
)
Address: c/o Pendelis 18,)
175 64 Palaio Faliro,)
Athens, Greece)
Fax no.: +30 216 6002599)
Department/Officer: Chief Financial Officer)

Meck Shipping Company Inc.)
)
By: Ioannis Zafirakis) /s/ Ioannis Zafirakis
)
Address: c/o Pendelis 18,)
175 64 Palaio Faliro,)
Athens, Greece)
Fax no.: +30 216 6002599)
Department/Officer: Chief Financial Officer)

Langor Shipping Company Inc.	)
	)
By: Ioannis Zafirakis	) /s/ Ioannis Zafirakis
	)
Address: c/o Pendelis 18,	)
175 64 Palaio Faliro,	)
Athens, Greece	)
Fax no.: +30 216 6002599	)
Department/Officer: Chief Financial Officer	)

The Guarantor

Diana Containerships Inc	)
	)
By: Ioannis Zafirakis	) /s/ Ioannis Zafirakis
	)
Address: c/o Pendelis 18,	)
175 64 Palaio Faliro,	)
Athens, Greece	)
Fax no.: +30 216 6002599	)
Department/Officer: Chief Financial Officer	)

The Arranger

The Royal Bank of Scotland plc	)
	)
By: Adrian Meadows	) /s/ Adrian Meadows
	)
Address: Shipping Business Centre,	)
135 Bishopsgate, London EC2M 3UR	)
Fax no.: +44 (0)207 106 6550	)
Department/Officer: Shipping, Portfolio	)
Management – Attn: Simon Wicks/	)
Adrian Meadows	)

The Agent

The Royal Bank of Scotland plc	)
	)
By: Adrian Meadows	) /s/ Adrian Meadows
	)
Address: Shipping Business Centre,	)
135 Bishopsgate, London EC2M 3UR	)
Fax no.: +44 (0)207 106 6550	)
Department/Officer: Shipping, Portfolio	)
Management – Attn: Simon Wicks/	)
Adrian Meadows	)

The Security Agent

The Royal Bank of Scotland plc	)
	)
By: Adrian Meadows	) /s/ Adrian Meadows
	)
Address: Shipping Business Centre,	)
135 Bishopsgate, London EC2M 3UR	)
Fax no.: +44 (0)207 106 6550	)
Department/Officer: Shipping, Portfolio	)
Management – Attn: Simon Wicks/	)
Adrian Meadows	)

The Original Lender

The Royal Bank of Scotland plc	)
	)
By: Adrian Meadows	) /s/ Adrian Meadows
	)
Address: Shipping Business Centre,	)
135 Bishopsgate, London EC2M 3UR	)
Fax no.: +44 (0)207 106 6550	)
Department/Officer: Shipping, Portfolio	)
Management – Attn: Simon Wicks/	)
Adrian Meadows	)

The Original Swap Provider

The Royal Bank of Scotland plc	)
	)
By: Adrian Meadows	) /s/ Adrian Meadows
	)
Address: Shipping Business Centre,	)
135 Bishopsgate, London EC2M 3UR	)
Fax no.: +44 (0) 207 085 6724	)
Department/Officer: Swaps Administration	)

Exhibit 8.1

List of Subsidiaries

Name of Subsidiary	**Place of Incorporation**
Likiep Shipping Company Inc.	Marshall Islands
Orangina Inc.	Marshall Islands
Lemongina Inc.	Marshall Islands
Rongerik Shipping Company Inc.	Marshall Islands
Utirik Shipping Company Inc.	Marshall Islands
Nauru Shipping Company Inc.	Marshall Islands
Eluk Shipping Company Inc.	Marshall Islands
Oruk Shipping Company Inc.	Marshall Islands
Jabor Shipping Company Inc.	Marshall Islands
Delap Shipping Company Inc.	Marshall Islands
Dud Shipping Company Inc.	Marshall Islands
Unitized Ocean Transport Limited	Marshall Islands
Mago Shipping Company Inc.	Marshall Islands
Kapa Shipping Company Inc.	Marshall Islands
Meck Shipping Company Inc.	Marshall Islands
Langor Shipping Company Inc.	Marshall Islands

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Symeon Palios, certify that:

1. I have reviewed this annual report on Form 20-F of Diana Containerships Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 21, 2016

/s/ Symeon Palios
Symeon 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 Containerships Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 21, 2016

/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 Containerships Inc. (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Symeon Palios, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 21, 2016

/s/ Symeon Palios
Symeon 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 Containerships Inc. (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Andreas Michalopoulos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 21, 2016

/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. 333-197740) of Diana Containerships Inc. and in the related Prospectus of our reports dated March 21, 2016, with respect to the consolidated financial statements of Diana Containerships Inc., and the effectiveness of internal control over financial reporting of Diana Containerships Inc., included in this Annual Report (Form 20-F) for the year ended December 31, 2015.

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

Athens, Greece
March 21, 2016