**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 20-F**

**(Mark One)**

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

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

**For the fiscal year ended December 31, 2019**

**OR**

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

**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

**PERFORMANCE SHIPPING INC.**

(Exact name of Registrant as specified in its charter)

Performance Shipping 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)

Mr. Andreas Michalopoulos

Pendelis 18, 17564 Palaio Faliro, Athens, Greece

Tel: + 30-216-600-24000, Fax: + 30-216-600-2599

E-mail: amichalopoulos@pshipping.com

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

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

|  |  |  |
| --- | --- | --- |
| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
| Common stock, $0.01 par value, including the Preferred stock purchase rights | “PSHG” | The NASDAQ Stock Market LLC |

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, 2019, there were 49,021,001 shares of the registrant’s common stock outstanding.

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

 ☐ Yes             ☒ No

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

 ☐ Yes             ☒ No

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

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

☒ Yes     ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

☒ Yes     ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer”, “accelerated filer” and “emerging growth company” in Rule 12b-2 of the Exchange Act.:

|  |  |  |
| --- | --- | --- |
| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☒ |
| Emerging growth company ☐ |  |  |

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

|  |  |  |
| --- | --- | --- |
| U.S. GAAP ☒ | International Financial Reporting Standards as issued by the  International Accounting Standards Board ☐ | Other  ☐ |
|  |  |  |

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

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

☐ Yes             ☒ No

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

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

☐ Yes              ☐ No

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**FORWARD-LOOKING STATEMENTS**

Matters discussed in this annual report and the documents incorporated by reference may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include, but are not limited to, statements concerning plans, objectives, goals, strategies, future events or performance, underlying assumptions and other statements, which are other than statements of historical facts.

Performance Shipping Inc., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by the Company or on its behalf may include forward-looking statements, which reflect its current views with respect to future events and financial performance, and are not intended to give any assurance as to future results. When used in this document, the words “believe”, “anticipate,” “intends,” “estimate,” “forecast,” “project,” “plan,” “potential,” “will,” “may,” “should,” “expect” “targets,” “likely,” “would,” “could,” “seeks,” “continue,” “possible,” “might,” “pending” and similar expressions, terms or phrases may identify forward-looking statements.

Please note in this annual report, “we”, “us”, “our” and “the Company” all refer to Performance Shipping 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 its records and other data available from third parties. Although the Company believes 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 its control, the Company cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company is making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated.

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In addition to these important factors and matters discussed elsewhere herein, including under the heading “Item 3. Key Information – D. Risk Factors,” and in the documents incorporated by reference herein, important factors that, in its view, could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to: 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 and tanker shipping industry, changes in the supply of vessels, changes in worldwide oil production and consumption and storage, changes in our operating expenses, including bunker prices, crew costs, drydocking and insurance costs, our future operating or financial results, availability of financing and refinancing and changes to our financial condition and liquidity, including our ability to pay amounts that it owes and obtain additional financing to fund capital expenditures, acquisitions and other general corporate activities and our ability to obtain financing and comply with the restrictions and other covenants in our financing arrangements, our ability to continue as a going concern, potential liability from pending or future litigation, the market for our vessels, availability of skilled workers and the related labor costs, compliance with governmental, tax, environmental and safety regulation, any non-compliance with the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) or other applicable regulations relating to bribery, the impact of the discontinuance of LIBOR after 2021 on interest rates of our debt that reference LIBOR, general economic conditions and conditions in the oil industry, effects of new products and new technology in our industry, the failure of counter parties to fully perform their contracts with us, our dependence on key personnel, adequacy of insurance coverage, our ability to obtain indemnities from customers, changes in laws, treaties or regulations, the volatility of the price of our common shares, our incorporation under the laws of the Marshall Islands and the different rights to relief that may be available compared to other countries, including the United States, changes in governmental rules and regulations or actions taken by regulatory authorities, general domestic and international political conditions, acts by terrorists or acts of piracy on ocean-going vessels, the length and severity of the recent novel coronavirus (COVID-19) outbreak and its impact on the demand for seaborne transportation of petroleum and other types of products, 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.

This report may contain assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as forward-looking statements. The Company may also from time to time make forward-looking statements in other documents and reports that are filed with or submitted to the Commission, in other information sent to the Company’s security holders, and in other written materials. The Company also cautions that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. The Company undertakes no obligation to publicly update or revise any forward-looking statement contained in this report, whether as a result of new information, future events or otherwise, except as required by law.

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**PART I**

**Item 1.          Identity of Directors, Senior Management and Advisers**

Not Applicable.

**Item 2.          Offer Statistics and Expected Timetable**

Not Applicable.

**Item 3.          Key Information**

|  |  |  |
| --- | --- | --- |
|  | ***A.*** | ***Selected Financial Data*** |

The following tables set forth our selected consolidated financial data and other operating data. The selected consolidated financial data in the tables as of and for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, 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.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **For the years ended December 31,** | | | | | | | | | | | | | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |  | **2016** | |  |  | **2015** | |  |
|  |  | *(in thousands of U.S. dollars, except for share and per share data)* | | | | | | | | | | | | | | | | | |  |
| **Statement of Operations Data:** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Voyage and time charter revenues |  | $ | 26,846 |  |  | $ | 25,566 |  |  | $ | 23,806 |  |  | $ | 36,992 |  |  | $ | 70,746 |  |
| Prepaid charter revenue amortization |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (3,798 | ) |  |  | (8,566 | ) |
| Voyage and time charter revenues, net |  |  | 26,846 |  |  |  | 25,566 |  |  |  | 23,806 |  |  |  | 33,194 |  |  |  | 62,180 |  |
| Voyage expenses |  |  | 3,447 |  |  |  | 1,267 |  |  |  | 1,702 |  |  |  | 3,169 |  |  |  | 2,619 |  |
| Vessel operating expenses |  |  | 11,321 |  |  |  | 15,453 |  |  |  | 22,732 |  |  |  | 30,213 |  |  |  | 35,847 |  |
| Depreciation and amortization of deferred charges |  |  | 3,684 |  |  |  | 4,945 |  |  |  | 8,147 |  |  |  | 12,740 |  |  |  | 13,140 |  |
| Management fees |  |  | 147 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |
| General and administrative expenses |  |  | 8,162 |  |  |  | 8,030 |  |  |  | 8,366 |  |  |  | 7,241 |  |  |  | 6,194 |  |
| Impairment losses |  |  | 31,629 |  |  |  | 20,654 |  |  |  | 8,363 |  |  |  | 118,861 |  |  |  | 6,607 |  |
| Loss / (Gain) on vessels' sale |  |  | 127 |  |  |  | 16,700 |  |  |  | (945 | ) |  |  | 2,899 |  |  |  | 8,300 |  |
| Foreign currency (gains) / losses |  |  | (7 | ) |  |  | (44 | ) |  |  | 51 |  |  |  | 111 |  |  |  | (55 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating loss |  | $ | (31,664 | ) |  | $ | (41,439 | ) |  | $ | (24,610 | ) |  | $ | (142,040 | ) |  | $ | (10,472 | ) |
| Interest and finance costs |  |  | (651 | ) |  |  | (11,520 | ) |  |  | (13,843 | ) |  |  | (7,094 | ) |  |  | (7,166 | ) |
| Interest income |  |  | 258 |  |  |  | 64 |  |  |  | 87 |  |  |  | 120 |  |  |  | 107 |  |
| Gain from bank debt write off |  |  | - |  |  |  | - |  |  |  | 42,185 |  |  |  | - |  |  |  | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income / (loss) |  | $ | (32,057 | ) |  | $ | (52,895 | ) |  | $ | 3,819 |  |  | $ | (149,014 | ) |  | $ | $(17,531 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Earnings / (loss) per common share, basic |  | $ | (1.12 | ) |  | $ | (5.60 | ) |  | $ | 8.94 |  |  | $ | (100,821.38 | ) |  | $ | $(11,917.74 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Earnings / (loss) per common share, diluted |  | $ | (1.12 | ) |  | $ | (5.60 | ) |  | $ | 8.94 |  |  | $ | (100,821.38 | ) |  | $ | $(11,917.74 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Dividends declared and paid, per share |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | 246.96 |  |  | $ | 493.92 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average number of common shares, basic |  |  | 28,646,763 |  |  |  | 9,450,555 |  |  |  | 427,333 |  |  |  | 1,478 |  |  |  | 1,471 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average number of common shares, diluted |  |  | 28,646,763 |  |  |  | 9,450,555 |  |  |  | 427,361 |  |  |  | 1,478 |  |  |  | 1,471 |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of and for the years ended December 31,** | | | | | | | | | | | | | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |  | **2016** | |  |  | **2015** | |  |
|  |  | *(in thousands of U.S. dollars, except for fleet data and average daily results)* | | | | | | | | | | | | | | | | | |  |
| **Balance Sheet Data:** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Cash and cash equivalents |  | $ | 26,363 |  |  | $ | 10,493 |  |  | $ | 6,444 |  |  | $ | 8,316 |  |  | $ | 29,388 |  |
| Vessels held for sale |  |  | - |  |  |  | - |  |  |  | 18,378 |  |  |  | - |  |  |  | - |  |
| Total current assets |  |  | 35,364 |  |  |  | 11,980 |  |  |  | 28,000 |  |  |  | 22,875 |  |  |  | 34,914 |  |
| Vessels' net book value |  |  | 82,871 |  |  |  | 85,870 |  |  |  | 201,308 |  |  |  | 240,352 |  |  |  | 384,549 |  |
| Property and equipment, net |  |  | 993 |  |  |  | 998 |  |  |  | 911 |  |  |  | 946 |  |  |  | 987 |  |
| Restricted cash |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 9,000 |  |  |  | 9,000 |  |
| Total assets |  |  | 130,569 |  |  |  | 100,086 |  |  |  | 232,307 |  |  |  | 266,531 |  |  |  | 435,723 |  |
| Total current liabilities |  |  | 8,066 |  |  |  | 2,861 |  |  |  | 101,215 |  |  |  | 129,863 |  |  |  | 24,697 |  |
| Unrelated Party and Bank financing (net of unamortized deferred financing costs) |  |  | 32,283 |  |  |  | - |  |  |  | 12,119 |  |  |  | 127,129 |  |  |  | 142,678 |  |
| Related party financing (net of unamortized deferred financing costs) |  |  | - |  |  |  | - |  |  |  | 84,832 |  |  |  | 45,617 |  |  |  | 48,950 |  |
| Total stockholders' equity |  | $ | 94,238 |  |  | $ | 95,576 |  |  | $ | 130,772 |  |  | $ | 90,880 |  |  | $ | 239,174 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash Flow Data:** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net cash provided by/ (used in) operating activities |  | $ | (4,194 | ) |  | $ | (330 | ) |  | $ | (12,653 | ) |  | $ | (11,963 | ) |  | $ | 17,445 |  |
| Net cash provided by / (used in) investing activities |  |  | (18,517 | ) |  |  | 93,151 |  |  |  | 6,665 |  |  |  | 10,574 |  |  |  | (111,751 | ) |
| Net cash provided by / (used in) financing activities |  |  | 38,581 |  |  |  | (88,772 | ) |  |  | (4,884 | ) |  |  | (19,683 | ) |  |  | 40,821 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Fleet Data:** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Average number of vessels (1) |  |  | 4.2 |  |  |  | 6.3 |  |  |  | 11.4 |  |  |  | 13.1 |  |  |  | 12.6 |  |
| Number of vessels at end of period |  |  | 4.0 |  |  |  | 4.0 |  |  |  | 11.0 |  |  |  | 12.0 |  |  |  | 14.0 |  |
| Ownership days (2) |  |  | 1,516 |  |  |  | 2,307 |  |  |  | 4,178 |  |  |  | 4,780 |  |  |  | 4,600 |  |
| Available days (3) |  |  | 1,516 |  |  |  | 2,284 |  |  |  | 4,155 |  |  |  | 4,735 |  |  |  | 4,515 |  |
| Operating days (4) |  |  | 1,401 |  |  |  | 2,177 |  |  |  | 3,152 |  |  |  | 3,304 |  |  |  | 4,155 |  |
| Fleet utilization (5) |  |  | 92.4 | % |  |  | 95.3 | % |  |  | 75.9 | % |  |  | 69.8 | % |  |  | 92.0 | % |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Average Daily Results:** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Time charter equivalent (TCE) rate (6) |  | $ | 15,435 |  |  | $ | 10,639 |  |  | $ | 5,320 |  |  | $ | 6,341 |  |  | $ | 13,192 |  |
| Daily vessel operating expenses (7) |  |  | 7,468 |  |  |  | 6,698 |  |  |  | 5,441 |  |  |  | 6,321 |  |  |  | 7,793 |  |

|  |  |  |
| --- | --- | --- |
|  | (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. |

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|  |  |  |
| --- | --- | --- |
|  | (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 voyage and time charter revenues, less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE is a non-GAAP measure. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels despite changes in the mix of charter types (i.e., voyage (spot) charters, time charters and bareboat charters). The following table reflects the calculation of our TCE rates for the periods presented. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **For the years ended December 31,** | | | | | | | | | | | | | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |  | **2016** | |  |  | **2015** | |  |
|  |  | *(in thousands of U.S. dollars, except for available days and TCE rate)* | | | | | | | | | | | | | | | | | |  |
| Voyage and time charter revenues, net of prepaid charter revenue amortization |  | $ | 26,846 |  |  | $ | 25,566 |  |  | $ | 23,806 |  |  | $ | 33,194 |  |  | $ | 62,180 |  |
| Less: voyage expenses |  | $ | (3,447 | ) |  | $ | (1,267 | ) |  | $ | (1,702 | ) |  | $ | (3,169 | ) |  | $ | (2,619 | ) |
| Voyage and time charter equivalent revenues |  | $ | 23,399 |  |  | $ | 24,299 |  |  | $ | 22,104 |  |  | $ | 30,025 |  |  | $ | 59,561 |  |
| Available days |  |  | 1,516 |  |  |  | 2,284 |  |  |  | 4,155 |  |  |  | 4,735 |  |  |  | 4,515 |  |
| Time charter equivalent (TCE) rate |  | $ | 15,435 |  |  | $ | 10,639 |  |  | $ | 5,320 |  |  | $ | 6,341 |  |  | $ | 13,192 |  |

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| --- | --- | --- |
|  | (7) | Daily 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, lubricant costs, tonnage taxes, regulatory fees, environmental costs, lay-up expenses and other miscellaneous expenses, are calculated by dividing vessel operating expenses by ownership days for the relevant period. |

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|  | ***B.*** | ***Capitalization and Indebtedness*** |

Not Applicable.

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| --- | --- | --- |
|  | ***C.*** | ***Reasons for the Offer and Use of Proceeds*** |

Not Applicable.

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| --- | --- | --- |
|  | ***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.

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**Industry Specific Risk Factors**

**Risks Related to Our Continued Operation in the Containership Sector**

***The containership sector is cyclical and volatile, with charter hire rates and profitability at reduced levels.***

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 current rates remain below their long-term averages and may decline further. Fluctuations in charter rates result from changes in the supply of and demand for ship capacity and changes in the supply of and demand for the major products internationally transported by containerships. The factors affecting the supply of and demand for containerships and supply of 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 containership vessels in the future or renew existing charters upon their expiration or termination, at rates sufficient to allow us to meet our obligations or at all.

The factors that influence demand for containership capacity include:

|  |  |  |
| --- | --- | --- |
|  | • | supply of and demand for products suitable for shipping in containers; |

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| --- | --- | --- |
|  | • | changes in global production of products transported by containerships; |

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| --- | --- | --- |
|  | • | the distance container cargo products are to be moved by sea; |

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| --- | --- | --- |
|  | • | the globalization of manufacturing; |

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| --- | --- | --- |
|  | • | global and regional economic and political conditions, including armed conflicts, terrorist activities, embargoes, strikes, tariffs and “trade wars”; |

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|  | • | economic slowdowns caused by public health events such as the recent COVID-19 outbreak; |

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| --- | --- | --- |
|  | • | disruptions and developments in international trade; |

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| --- | --- | --- |
|  | • | changes in seaborne and other transportation patterns, including changes in the distances over which container cargoes are transported and trade patterns; |

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| --- | --- | --- |
|  | • | environmental and other regulatory developments; |

|  |  |  |
| --- | --- | --- |
|  | • | currency exchange rates; |

|  |  |  |
| --- | --- | --- |
|  | • | weather; and |

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| --- | --- | --- |
|  | • | cost of bunkers. |

The factors that influence the supply of containership capacity include:

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| --- | --- | --- |
|  | • | the number of newbuilding orders and deliveries; |

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| --- | --- | --- |
|  | • | the extent of newbuilding vessel deferrals; |

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| --- | --- | --- |
|  | • | the scrapping rate of older containerships; |

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|  | • | speed of vessel operations; |

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| --- | --- | --- |
|  | • | newbuilding prices and containership owner access to capital to finance the construction of newbuildings; |

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| --- | --- | --- |
|  | • | charter rates and the price of steel and other raw materials; |

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

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

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|  | • | the number of containerships that are out of service; |

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|  | • | the number of vessels used as storage units; |

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| --- | --- | --- |
|  | • | port congestion and canal closures; |

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| --- | --- | --- |
|  | • | sanctions (in particular, sanctions on Iran and Venezuela, amongst others) and |

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| --- | --- | --- |
|  | • | 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. 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 containership vessels at all, which may reduce or eliminate our earnings or make our earnings volatile. The same issues will exist if we acquire additional containership 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 containership vessels profitably. The containership market also affects the value of our containership 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 2008 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 to 2015, especially for medium to smaller size containerships. Although freight rates recovered somewhat throughout 2016 and 2017, rates remain below their historical averages, 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.

***With respect to our containerships, 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.***

Our containership vessel is currently employed on a time charter agreement with one charterer.  Should charter rates for containerships improve, we may 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 containership 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, results of operations and cash flows.

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

According to industry sources, as of January 1, 2020, 364 newbuilding containerships were on order, representing approximately 11% of the total worldwide containership fleet capacity as of that date. 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 containership vessel owners or operators, including us, to elect to “lay-up” one or more of its containership vessels for an extended period of time. The lay-up of a containership vessel significantly reduces the containership 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, containership vessel owners will incur expenditures to re-commission a containership 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 containership vessel until such time as the owner determines that there is a sustainable rebound in charter rates, which may result in lost earnings during the early stages of a recovery. As we have done in the past, there is a risk that we may elect to lay up one or more containership vessels in the future.

***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 our current charterers 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.

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**Risks Incident to Our Nascent Operation in the Tanker Sector**

***The tanker industry is cyclical and volatile, which may lead to reductions and volatility in the charter rates we are able to obtain, in vessel values and in our earnings and available cash flow.***

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. For example, during the eight year period from 2011 through 2018, time charter equivalent, or TCE, spot rates for a VLCC trading between the Middle East Gulf and the Far East (measure based on discharge in Japan until end-2017, then China from 2018 onwards) ranged from rates below operating expenses to a high of $114,148 per day. This volatility continued in 2019, with average daily rates on the route fluctuating between $6,167 to $300,391 per day (although no actual fixtures were concluded at the extreme TCE highs). Periodic adjustments to the supply of and demand for oil tankers cause the industry to be cyclical in nature. We expect continued volatility in market rates for our vessels in the foreseeable future with a consequent effect on our short- and medium-term liquidity. A worsening of the current global economic conditions may adversely affect our ability to charter or re-charter our vessels or to sell them on the expiration or termination of their charters, or any renewal or replacement charters that we enter into may not be sufficient to allow us to operate our vessels profitably. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. The carrying values of our vessels may not represent their fair market values or the amount that could be obtained by selling the vessels at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings.

The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

|  |  |  |
| --- | --- | --- |
|  | • | supply and demand for energy resources and oil and petroleum products; |

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|  | • | competition from, and supply and demand for, alternative sources of energy; |

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|  | • | regional availability of refining capacity and inventories; |

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|  | • | global and regional economic and political conditions and developments, including armed conflicts, terrorist activities, trade wars, tariffs embargoes and strikes; |

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|  | • | currency exchange rates; |

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| --- | --- | --- |
|  | • | changes in seaborne and other transportation patterns, including shifts in transportation demand between crude oil and refined oil products and the distance they are transported by sea and changes in the price of crude oil and changes to the West Texas Intermediate and Brent Crude Oil pricing benchmarks, and changes in trade patterns; |

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|  | • | changes in governmental or maritime self-regulatory organizations’ rules and regulations or actions taken by regulatory authorities; |

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|  | • | environmental and other legal and regulatory developments; |

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| --- | --- | --- |
|  | • | government subsidies of shipbuilding; |

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|  | • | construction or expansion of new or existing pipelines or railways; |

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| --- | --- | --- |
|  | • | weather and natural disasters; |

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| --- | --- | --- |
|  | • | economic slowdowns caused by public health events such as the recent COVID-19 outbreak; |

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|  | • | developments in international trade, including those relating to the imposition of tariffs; |

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|  | • | changes in the production levels of crude oil (including in particular production by OPEC, the United States and other key producers); and |

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|  | • | international sanctions, embargoes, import and export restrictions, nationalizations and wars. |

The factors that influence the supply of tanker capacity include:

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|  | • | demand for alternative sources of energy; |

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|  | • | the number of newbuilding orders and deliveries; |

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| --- | --- | --- |
|  | • | vessel casualties; |

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| --- | --- | --- |
|  | • | the recycling of older vessels, depending, amongst other things, on recycling rates and international recycling regulations; |

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| --- | --- | --- |
|  | • | conversion of tankers to other uses; |

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| --- | --- | --- |
|  | • | the number of vessels that are out of service or laid up; |

|  |  |  |
| --- | --- | --- |
|  | • | environmental concerns and regulations; and |

|  |  |  |
| --- | --- | --- |
|  | • | port or canal congestion and weather delays; and |

|  |  |  |
| --- | --- | --- |
|  | • | sanctions (in particular, sanctions on Iran and Venezuela, amongst others). |

Declines in oil and natural gas prices for an extended period of time, or market expectations of potential decreases in these prices, could negatively affect our future growth in the tanker and offshore sector. Sustained periods of low oil and natural gas prices typically result in reduced exploration and extraction because oil and natural gas companies’ capital expenditure budgets are subject to cash flow from such activities and are therefore sensitive to changes in energy prices. These changes in commodity prices can have a material effect on demand for our services, and periods of low demand can cause excess vessel supply and intensify the competition in the industry, which often results in vessels, particularly older and less technologically-advanced vessels, being idle for long periods of time. We cannot predict the future level of demand for our services or future conditions of the oil and natural gas industry. Any decrease in exploration, development or production expenditures by oil and natural gas companies could reduce our revenues and materially harm our business, results of operations and cash available for distribution.

***An over-supply of tanker capacity may lead to a reduction in charter rates, vessel values, and profitability.***

The market supply of tankers is affected by a number of factors, such as supply and demand for energy resources, including oil and petroleum products, supply and demand for seaborne transportation of such energy resources, the current and expected purchase orders for newbuildings and the number of vessels being recycled. If the capacity of new tankers delivered exceeds the capacity of tankers being recycled or converted to non-trading tankers, tanker capacity will increase. If the supply of tanker capacity increases and if the demand for tanker capacity decreases or does not increase correspondingly, charter rates could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations and earnings and available cash and our ability to comply with the covenants in our loan agreements.

***Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.***

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. Peaks in tanker demand quite often precede seasonal oil consumption peaks, as refiners and suppliers anticipate consumer demand. Seasonal peaks in oil demand can broadly be classified into two main categories: (1) increased demand prior to Northern Hemisphere winters as heating oil consumption increases and (2) increased demand for gasoline prior to the summer driving season in the United States. Unpredictable weather patterns and variations in oil reserves disrupt tanker scheduling. This seasonality may result in quarter-to-quarter volatility in our operating results, as many of our vessels trade in the spot market. Seasonal variations in tanker demand will affect any spot market related rates that we may receive.

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**Risks Related to Both Our Continued Operation in the Containership Sector and Our Nascent Operation in the Tanker Sector**

***The current state of the global financial markets and current economic conditions may adversely impact our results of operation, financial condition, cash flows and ability to obtain financing or refinance our existing and future credit facilities on acceptable terms, which may negatively impact our business.***

Global financial markets and economic conditions have been, and continue to be, volatile. Beginning in February 2020, due in part to fears associated with the spread of COVID-19 (as more fully described below), global financial markets, and starting in late February, financial markets in the U.S., experienced even greater relative volatility and a steep and abrupt downturn, which volatility and downturn may continue as COVID-19 continues to spread. Credit markets and the debt and equity capital markets have been distressed and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current 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. Economic conditions may also adversely affect the market price of our common shares.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the availability and cost of obtaining money from the public and private equity and debt markets has become more difficult. 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 and other market participants, including equity and debt investors, and some have been unwilling to invest on attractive terms or even at all. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, or that we will be able to refinance our existing and future credit facilities, on acceptable terms or at all. If financing or refinancing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

Credit markets in the United States and Europe have in the past experienced significant contraction, de-leveraging and reduced liquidity, and there is a risk that the U.S. federal government and state governments and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

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We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors, may have a material adverse effect on our results of operations and financial condition and may cause the price of our common shares to decline.

***If economic conditions throughout the world continue to deteriorate or become more volatile, it could impede our operations.***

The world economy faces a number of challenges, including the effects of volatile oil prices, trade tensions between the United States and China and between the United States and the European Union, continuing turmoil and hostilities in the Middle East, the Korean Peninsula, North Africa, Venezuela, Iran and other geographic areas and countries, continuing threat of terrorist attacks around the world, continuing instability and conflicts and other recent occurrences in the Middle East and in other geographic areas and countries, continuing economic weakness in the European Union, or the E.U., and stabilizing growth in China, as well as rapidly growing public health concerns such as the recent COVID-19 outbreak. Due to the recent outbreak of COVID-19, since late February 2020, the financial markets in the U.S. have been in steep decline. If U.S and world economic conditions continue to weaken, the demand for energy, including oil and gas may be negatively affected. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas.

Our ability to secure funding is dependent on well-functioning capital markets and on an appetite to provide funding to the shipping industry. If global economic conditions worsen or lenders for any reason decide not to provide debt financing to us, we may, among other things, not be able to secure additional financing to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due, or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

In Europe, large sovereign debts and fiscal deficits, low growth prospects and high unemployment rates in a number of countries have contributed to the rise of Eurosceptic parties, which would like their countries to leave the Euro. The exit of the United Kingdom, or the U.K., from the European Union, or the EU, as described more fully below, and potential new trade policies in the United States further increase the risk of additional trade protectionism.

In China, a transformation of the Chinese economy is underway, as China transforms from a production-driven economy towards a service or consumer-driven economy. The Chinese economic transition implies that we do not expect the Chinese economy to return to double digit GDP growth rates in the near term. The quarterly year-over-year growth rate of China's GDP decreased to 6.1% for the year ending December 31, 2019 as compared to 6.6% for the year ending December 31, 2018 and continues to remain below pre-2008 levels. Furthermore, there is a rising threat of a Chinese financial crisis resulting from massive personal and corporate indebtedness and “trade wars.” The International Monetary Fund has warned that continuing trade tensions, including significant tariff increases, between the United States and China, are expected to result in a cumulative reduction in global GDP. Additionally, following the emergence of COVID-19, industrial activity in China and other countries came to a quick halt in early 2020. The outbreak of COVID-19 is a very negative development for the Chinese economy and has led to an economic contraction. We cannot assure you that the Chinese economy will not continue to contract in the future.

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While the recent developments in Europe and China have been without significant immediate impact on our charter rates, an extended period of deterioration in the world economy could reduce the overall demand for our services. Such changes could adversely affect our future performance, results of operations, cash flows and financial position.

Further, governments may turn and have turned to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States and China have implemented certain increasingly protective trade measures, which have been somewhat mitigated by the recent trade deal (first phase trade agreement) between the United States and China, which requires China to purchase over USD 50 billion of energy products, which, according to news sources, includes crude oil. Additionally, in March 2018, President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally and in January 2019, the United States announced expanded sanctions against Venezuela, which may have an effect on its oil output and in turn affect global oil supply. There have also been continuing trade tensions, including significant tariff increases, between the United States and China. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could 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.

Prospective investors should consider the potential impact, uncertainty and risk associated with the development in the wider global economy. Further economic downturn in any of these countries could have a material effect on our future performance, results of operations, cash flows and financial position.

***The U.K.’s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.***

In June 2016, a majority of voters in the U.K. elected to withdraw from the EU in a national referendum (informally known as “Brexit”), a process that the government of the U.K. formally initiated in March 2017. Since then, the U.K. and the EU have been negotiating the terms of a withdrawal agreement, which was approved in October 2019 and ratified in January 2020. The U.K. formally exited the EU on January 31, 2020, although a transition period remains in place until December 2020, during which the U.K. will be subject to the rules and regulations of the EU while continuing to negotiate the parties’ relationship going forward, including trade deals. There is currently no agreement in place regarding the aftermath of the withdrawal, creating significant uncertainty about the future relationship between the U.K. and the EU, including with respect to the laws and regulations that will apply as the U.K. determines which EU-derived laws to replace or replicate following the withdrawal. Brexit has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments and uncertainties, or the perception that any of them may occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business and on our consolidated financial position, results of operations and our ability to pay distributions. Additionally, Brexit or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

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Brexit contributes to considerable uncertainty concerning the current and future economic environment. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets.

***Vessel values may fluctuate, which may adversely affect our financial condition, or 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 shipping market, if 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. In 2019 and 2018, we recognized $31.6 million and $20.7 million of impairment charges, respectively, for three and two of our vessels, respectively.

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.

***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.

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***Rising fuel prices may adversely affect our profits.***

Fuel is a significant, if not the largest, expense in our shipping operations when vessels are operated on the spot market under voyage charter. While we do not directly bear the cost of fuel or bunkers under our time charters, fuel is also 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. 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, or OPEC, and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. In March 2020 the oil price fell to under $31 per barrel following OPEC's inability to reach an agreement in respect of oil production cuts. However, fuel may become much more expensive in the future, including as a result of new regulations mandating a reduction in sulfur emissions to 0.5% as of January 2020. An increase in oil price in the future may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail. Other future regulations may have a similar impact.

***Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and adversely affect 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.

Recent action by the IMO’s Maritime Safety Committee and U.S. agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats.  This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

***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 IMO’s International Convention for the Safety of Life at Sea of 1974, or SOLAS.

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

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

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

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***We, or our in-house and third-party managers, 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, on the ability of Unitized Ocean Transport Limited, or UOT, our wholly-owned subsidiary which acts as our in-house manager, and on the ability of the third-party managers we appoint from time to time, 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, UOT, or our third-party managers, 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.

***We operate our vessels worldwide and as a result, our vessels are exposed to international risks and inherent operational risks of the tanker industry, which may adversely affect our business and financial condition.***

The operation of an ocean-going vessel carries inherent risks. Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, and acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These events may result in death or injury to persons, loss of revenues or property, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships, and market disruptions, delay or rerouting, which may also subject us to litigation. In addition, the operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil transported in tankers.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs and maintenance are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels’ positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss which could negatively impact our business, financial condition, results of operations and available cash.

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In addition, international shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

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

Continuing conflicts and recent developments in the Middle East, including increased tensions between the U.S. and Iran, which in January 2020 escalated into a U.S. airstrike in Baghdad that killed a high-ranking Iranian general, as well as the Ukraine and other geographic countries and areas, geopolitical events such as Brexit, terrorist or other attacks, and war (or threatened war) or international hostilities, such as those between the United States and North Korea, may lead to armed conflict or acts of terrorism around the world, which may contribute to further economic instability in the global financial markets and international commerce. Additionally, any further escalations of tension between the U.S. and Iran could result in retaliation from Iran that could potentially affect the shipping industry, through increased attacks on vessels in the Strait of Hormuz (which already experienced an increased number of attacks on and seizures of vessels in 2019). These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea, the Gulf of Aden off the coast of Somalia and in particular the Gulf of Guinea region off Nigeria, which experienced increased incidents of piracy in 2019. Any of these occurrences could have a material adverse impact on our operating results. Additionally, Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

***Outbreaks of epidemic and pandemic of diseases and governmental responses thereto could adversely affect our business.***

In addition, public health threats, such as COVID-19 (more fully described below), influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, could adversely impact our operations, the timing of completion of any outstanding or future newbuilding projects, as well as the operations of our customers. In addition, public health threats in any area, including areas where we do not operate, could disrupt international transportation. Our crews generally work on a rotation basis, with a substantial portion relying on international air transport for rotation. Any such disruptions could impact the cost of rotating our crews, and possibly impact our ability to maintain a full crew on all rigs at a given time. Any of these public health threats and related consequences could adversely affect our financial results.

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The recent outbreak of COVID-19, a virus causing potentially deadly respiratory tract infections originating in China, has already caused severe global disruptions and may negatively affect economic conditions regionally as well as globally and otherwise impact our operations and the operations of our customers and suppliers. Governments in affected countries are imposing travel bans, quarantines and other emergency public health measures. In response to the virus, China, Italy, Spain and France and several other countries have implemented lockdown measures, and other countries and local governments may enact similar policies. As of March 15, 2020, the United States has temporarily restricted travel by foreign nationals into the country from a number of areas, including China and Europe. In addition, on March 18, 2020, the U.S. and Canada agreed to restrict all nonessential travel across the border. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. These restrictions, and future prevention and mitigation measures, are likely to have an adverse impact on global economic conditions, which could materially adversely affect our future operations. Uncertainties regarding the economic impact of the COVID-19 outbreak are likely to result in sustained market turmoil, which could also negatively impact our business, financial condition and cash flows.

Those measures, though temporary in nature, may continue and increase depending on developments in the virus’ outbreak. As a result of these measures, our vessels may not be able to call on ports, or may be restricted from disembarking from ports, located in regions affected by the outbreak. In addition, we may experience severe operational disruptions and delays, unavailability of normal port infrastructure and services including limited access to equipment, critical goods and personnel, disruptions to crew change, quarantine of ships and/or crew, counterparty solidity, closure of ports and custom offices, as well as disruptions in the supply chain and industrial production, which may lead to reduced cargo demand, amongst other potential consequences attendant to epidemic and pandemic diseases. The extent of the COVID-19 outbreak’s effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, although our operations have not been affected by the COVID-19 outbreak to date, the ultimate severity of the COVID-19 outbreak is uncertain at this time and therefore we cannot predict the impact it may have on our future operations, which could be material and adverse particularly if the pandemic continues to evolve into a severe worldwide health crisis.

***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, in the Gulf of Aden off the coast of Somalia, Sulu Sea and Celebes Sea and in particular the Gulf of Guinea region off Nigeria, which experienced increased incidents of piracy in 2019.  Although the frequency of sea piracy worldwide has generally decreased since 2013, sea piracy incidents continue to occur.  Acts of piracy could result in harm or danger to the crews that man our vessels. In addition, if these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as “war risk” zones, or Joint War Committee “war and strikes” listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain.  In addition, crew costs, 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.

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

While none of our vessels called on ports located in countries or territories subject to country-wide or territory-wide sanctions or embargo laws during 2019 and through the date of this annual report, and although we intend to maintain compliance 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.  Further, although we endeavor to take precautions reasonably designed to ensure compliance with sanctions and embargo laws and regulations, including relevant provisions in charter agreements forbidding the use of our vessels in trade that would violate economic sanctions, it is possible that our vessels may call on ports located in countries or territories subject to sanctions and embargos on charterers' instructions and without our consent.  If such activities result in a sanctions violation, we could be subject to monetary fines, penalties, or other sanctions, and our reputation and the market for our common shares could adversely affected.

The sanctions and embargo laws and regulations of the United States and other applicable jurisdictions 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.  U.S. government, the EU and/or other international bodies. Currently, we do not believe that any of our existing counterparties are affiliated with persons or entities that are subject to such sanctions or embargoes.  However, if we determine that such sanctions or embargoes 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.

If our, or our charterer’s, activities result in a sanctions violation, we could be subject to 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 or territories 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 or territories subject to sanctions or embargo laws that are not controlled by the governments of those countries or territories, or engaging in operations associated with those countries or territories pursuant to contracts with third parties that are unrelated to those countries or territories 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 or territories.

***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.

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***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.

***Failure to comply with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA, could result in fines, criminal penalties and an adverse effect on our business.***

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

***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.

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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.

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

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

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

**Company Specific Risk Factors**

***The market values of our vessels are highly volatile and have declined in recent years and may further decline, which could limit the amount of funds that we can borrow and trigger breaches of certain financial covenants under our future loan facilities.***

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

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|  | • | the prevailing level of charter hire rates; |

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|  | • | general economic and market conditions affecting the shipping industry; |

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|  | • | competition from other shipping companies and other modes of transportation; |

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|  | • | the types, sizes and ages of vessels; |

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|  | • | the supply of and demand for vessels; |

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|  | • | applicable governmental or other regulations; |

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|  | • | technological advances; and |

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|  | • | the cost of newbuildings. |

The market values of our vessels are at low levels compared to historical averages. At times when we have loans outstanding with covenants based on vessels’ market values, if the market values of our vessels decline further, we may not be in compliance with certain covenants contained in such loan facilities and we may not be able to refinance our debt or obtain additional financing or incur debt on terms that are acceptable to us or at all. As of December 31, 2019, we had $32.5 million outstanding under our loan facility with Nordea Bank Abp, Filial I Norge (“Nordea”) and were in compliance with all our loan covenants. In the future, if we are not in compliance with the covenants in our loan facilities or are unable to obtain waivers or amendments or otherwise remedy the relevant breaches, our lenders under the facility could accelerate our debt and foreclose on our fleet. We may not be successful in obtaining any such waiver or amendment, and we may not be able to refinance our debt or obtain additional financing. Moreover, our loan facilities as amended or pursuant to any waiver, and any refinancing or additional financing, may be more expensive and carry more onerous terms than those in our existing debt agreements.

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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. During 2019, the values of three of our vessels have been impaired as a result of either our impairment test exercise showing that their carrying values were not recoverable, or as a result of their classification as held for sale, and we recognized aggregate impairment losses of $31.6 million.

***We are currently subject to litigation and we may be subject to similar or other litigation in the future.***

We and our current executive officers are defendants in a purported class action lawsuits pending in the U.S. District Court for the Eastern District of New York. The lawsuit alleges violations of the Securities Exchange Act of 1934, as amended.

While we believe these claims to be without merit and intend to defend these lawsuits vigorously, we cannot predict their outcome. Furthermore, we may, from time to time, be a party to other litigation in the normal course of business. Monitoring and defending against legal actions, whether or not meritorious, is time-consuming for our management and detracts from our ability to fully focus our internal resources on our business activities. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. A decision adverse to our interests could result in the payment of substantial damages and could have a material adverse effect on our cash flow, results of operations and financial position.

With respect to any litigation, our insurance may not reimburse us or may not be sufficient to reimburse us for the expenses or losses we may suffer in contesting and concluding such lawsuit. Substantial litigation costs, including the substantial self-insured retention that we are required to satisfy before any insurance is applied to the claim, or an adverse result in any litigation may adversely impact our business, operating results or financial condition.

***Our future growth will depend 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:

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|  | • | shipping industry relationships and reputation for customer service and safety; |

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

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|  | • | quality and experience of seafaring crew; |

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

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|  | • | relationships with shipyards and the ability to get suitable berths; |

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

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

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|  | • | competitiveness of the bid in terms of overall price. |

Factors affecting our tanker charters may be found above, for example, in the risk factor entitled “*The tanker industry is cyclical and volatile, which may lead to reductions and volatility in the charter rates we are able to obtain, in vessel values and in our earnings and available cash flow*” and the risk factor entitled “*An over-supply of tanker capacity may lead to a reduction in charter rates, vessel values, and profitability.”*

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. See “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.” 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 any future 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 or tanker vessels 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.

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

Generally, we intend to selectively employ our vessels under short-, medium- or long-term time charters, or under voyage charters, which exposes us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a vessel purchase agreement or 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 shipping market and the overall financial condition of the counterparty. From time to time, we may enter into agreements to acquire vessels, and 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, it may be difficult to secure substitute employment for such vessels, and any new charter arrangements we secure may be at lower rates. As a result, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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***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.***

There are periods when we may be interested in further growing 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 and the aging of our fleet may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.***

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.

***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 UOT will conduct any historical financial due diligence process at times when we acquire vessels. Accordingly, neither we nor UOT 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.

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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.

***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 and may acquire additional newbuildings in the future. The completion and delivery of newbuildings could be delayed because of, among other things:

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|  | • | quality or engineering problems; |

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

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|  | • | work stoppages or other labor disturbances at the shipyard; |

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|  | • | bankruptcy of or other financial crisis involving the shipyard; |

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|  | • | a backlog of orders at the shipyard; |

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|  | • | political, social or economic disturbances; |

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

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|  | • | requests for changes to the original vessel specifications; |

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

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|  | • | an inability to finance the constructions of the vessels; or |

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|  | • | 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.

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***Technological innovation and quality and efficiency requirements from our customers could reduce our charterhire income and the value of our vessels.***

Our customers, in particular those in the oil industry, have a high and increasing focus on quality and compliance standards with their suppliers across the entire supply chain, including the shipping and transportation segment. Our continued compliance with these standards and quality requirements is vital for our operations. The charterhire 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 load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel’s physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new vessels are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels and the resale value of our vessels could significantly decrease. This could have an adverse effect on our results of operations, cash flows, financial condition and ability to pay dividends.

***Our Chief Executive Officer does not, and our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary did not until February 2020, devote all of his time to our business, which may hinder our ability to operate successfully.***

Our Chief Executive Officer is, and, until his resignation as Chief Financial Officer and Treasurer of Diana Shipping in February 2020, our Deputy Chief Executive Officer (since October 2019), Chief Financial Officer, Treasurer and Secretary was, involved in other business activities, such as the operation of Diana Shipping Inc., which we refer to as Diana Shipping or DSI. Our Chief Executive Officer is not and, our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary was not, until his resignation as Chief Financial Officer and Treasurer of Diana Shipping in February 2020, required to work full-time on our affairs. This may result in our Chief Executive Officer, and until his resignation as Chief Financial Officer and Treasurer of Diana Shipping in February 2020 may have resulted in our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary, spending less time than is necessary to manage our business successfully, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.  Furthermore, as described more fully below, certain of our now-resigned directors and executive officers, Mr. Anastasios Margaronis, Mr. Ioannis Zafirakis and Mrs. Semiramis Paliou, served as directors and/or executive officers of Diana Shipping during the period covered by this annual report.

***The fiduciary duties of our Chief Executive Officer may conflict, and the fiduciary duties of our Deputy Chief Executive Officer, Chief Financial Officer and Treasurer and Secretary may have conflicted until February 2020, with those of the Chief Executive Officer 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, Mr. Symeon Palios, also serves as Chief Executive Officer of Diana Shipping; and until his resignation from such positions in February 2020 (as described below), our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary, Mr. Andreas Michalopoulos, also served as Chief Financial Officer and Treasurer of Diana Shipping. As a result, our Chief Executive Officer and Chairman of the Board has and, until his resignation as Chief Financial Officer and Treasurer of Diana Shipping in February 2020, our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary had fiduciary duties to manage the business of Diana Shipping and its affiliates in a manner beneficial to such entities and their shareholders. Consequently, our Chief Executive Officer might encounter, and until his resignation as Chief Financial Officer and Treasurer of Diana Shipping in February 2020, our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary might have encountered situations in which his fiduciary obligations to Diana Shipping and us are in conflict. Additionally, as described more fully below, certain of our now-resigned directors and executive officers, Mr. Anastasios Margaronis, Mr. Ioannis Zafirakis and Mrs. Semiramis Paliou, served as directors and/or executive officers of Diana Shipping during the period covered by this annual report. 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.

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

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

***Our 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 Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary, Mr. Andreas Michalopoulos. 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.

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***We recently underwent a transition with respect to certain of our directors and executive officers and this transition, along with the possibility that we may in the future be unable to retain and recruit qualified key executives, key employees or key consultants, may delay our development efforts or otherwise harm our business.***

At our 2020 annual shareholder meeting held on February 18, 2020, Mr. Andreas Michalopoulos was elected to our board of directors. Additionally, in February 2020, as part of a long-term management succession plan, Mr. Anastasios Margaronis resigned from his position as our President, Mr. Ioannis Zafirakis resigned as our Chief Strategy Officer and Secretary, and Mrs. Semiramis Paliou resigned as our Chief Operating Officer, in order to devote substantially all of their business time to other endeavors. Our board of directors appointed Mr. Christos Glavanis and Ms. Aliki Paliou as directors to fill the vacancies created by Messrs. Anastasios Margaronis and Mr. Nikolaos Petmezas  resignations as directors in February 2020.  Our board of directors also appointed Mr. Michalopoulos as Secretary to replace Mr. Zafirakis, effective as of February 28, 2020. The above-referenced management succession plan also included the appointment of Mr. Andreas Michalopoulos to the position of Deputy Chief Executive Officer, as previously announced on October 31, 2019. While it is expected that Mr. Michalopoulos will eventually succeed Mr. Symeon Palios as Chief Executive Officer, Mr. Palios’ active role as our Chief Executive Officer and Chairman will be unchanged in the near term.

Our future development and prospects depend to a large degree on the experience, performance and continued service of our senior management team. Retention of these services or the identification of suitable replacements in case of future vacancies cannot be guaranteed. There can be no guarantee that the services of the current directors and senior management team will be retained, or that suitably skilled and qualified individuals can be identified and employed, which may adversely impact our ability to commercial and financial performance. The loss of the services of any of the directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on our commercial and financial performance as well. If we are unable to hire, train and retain such personnel in a timely manner, our operations could be delayed and our ability to grow our business will be impaired and the delay and inability may have a detrimental effect upon our performance.

***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.

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***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.

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

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

The London Interbank Offered Rate (“LIBOR”) is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to be eliminated or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness and obligations.  LIBOR has been volatile in the past, with the spread between LIBOR and the prime lending rate widening significantly at times. Because the interest rates borne by a majority of our outstanding indebtedness fluctuate with changes in LIBOR, significant changes in LIBOR would have a material effect on the amount of interest payable on our debt, which in turn, could have an adverse effect on our financial condition.

Furthermore, the calculation of interest in most financing agreements in our industry has been based on published LIBOR rates. Due in part to uncertainty relating to the LIBOR calculation process in recent years, it is likely that LIBOR will be phased out in the future. As a result, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are required to agree to such a provision in future financing agreements, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow. In addition, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or “SOFR.” The impact of such a transition from LIBOR to SOFR could be significant for us.

In order to manage our exposure to interest rate fluctuations, we may from time to time use interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can however be given that the use of these derivative instruments, if any, may effectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position. Interest rate derivatives may also be impacted by the transition from LIBOR to SOFR or other alternative rates.

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***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 2019 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.

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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. Additional Information—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.

***A cyber-attack could materially disrupt our business.***

We rely on information technology systems and networks in our operations and administration of our business. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

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***If we do not identify suitable vessels for acquisition or successfully integrate any acquired vessels, we may not be able to grow or to effectively manage our growth.***

One of our strategies is to continue to grow by expanding our operations and adding to our fleet at attractive points in the cycle. Our future growth will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

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|  | • | identify suitable vessels for acquisitions at attractive prices, which may not be possible if asset prices rise too quickly; |

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|  | • | obtain financing for our existing and new operations; |

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|  | • | manage relationships with customers and suppliers; |

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|  | • | identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures; |

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|  | • | integrate any acquired vessels successfully with our then-existing operations; |

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|  | • | attract, hire, train, integrate and retain qualified, highly trained personnel and crew to manage and operate our growing business and fleet; |

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|  | • | identify additional new markets; |

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|  | • | enhance our customer base; |

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|  | • | improve our operating, financial and accounting systems and controls; and |

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|  | • | obtain required financing for our existing and new operations. |

Our failure to effectively identify, purchase, develop and integrate any new vessels could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and we may not be able to effectively hire more employees or adequately improve those systems. We may incur unanticipated expenses as an operating company. Our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet. Finally, additional acquisitions may require additional equity issuances, which may dilute our common shareholders if issued at lower prices than the price they acquired their shares or debt issuances (with amortization payments), both of which could reduce our cash flow. If we are unable to execute the points noted above, our financial condition may be adversely affected.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and the management and staff of our commercial and technical managers, and may necessitate that we, and they, increase the number of personnel. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

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***The IMO 2020 regulations may cause us to incur substantial costs and to procure low-sulfur fuel oil directly on the wholesale market for storage at sea and onward consumption on our vessels.***

Effective January 1, 2020, the IMO implemented a new regulation for a 0.50% global sulfur cap on emissions from vessels (the “IMO 2020 Regulations”).  Under this new global cap, vessels must use marine fuels with a sulfur content of no more than 0.50% against the former regulations specifying a maximum of 3.50% sulfur in an effort to reduce the emission of sulfur oxide into the atmosphere.

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

Currently, none of our vessels are equipped with scrubbers and as of January 1, 2020 we have transitioned to burning IMO compliant fuels.  We continue to evaluate different options in complying with IMO and other rules and regulations. We expect that our fuel costs and fuel inventories will increase in 2020 as a result of these sulfur emission regulations.  Low sulfur fuel is more expensive than standard marine fuel containing 3.5% sulfur content and may become more expensive or difficult to obtain as a result of increased demand.  If the cost differential between low sulfur fuel and high sulfur fuel is significantly higher than anticipated, or if low sulfur fuel is not available at ports on certain trading routes, it may not be feasible or competitive to operate our vessels on certain trading routes without installing scrubbers or without incurring deviation time to obtain compliant fuel.  Scrubbers may not be available to be installed on such vessels at a favorable cost or at all if we seek them at a later date.

Furthermore, although as of the date of this annual report, four months have passed since the IMO 2020 Regulations became effective, it is uncertain how the availability of high-sulfur fuel around the world will be affected by implementation of the IMO 2020 Regulations, and both the price of high-sulfur fuel generally and the difference between the cost of high-sulfur fuel and that of low-sulfur fuel are also uncertain. Scarcity in the supply of high-sulfur fuel, or a lower-than anticipated difference in the costs between the two types of fuel, may cause us to fail to recognize anticipated benefits from installing scrubbers.

Fuel is a significant, if not the largest, expense in our shipping operations when vessels are under voyage charter and is an important factor in negotiating charter rates.  Our operations and the performance of our vessels, and as a result our results of operations, face a host of challenges. These include concerns over higher costs, international compliance, and the availability of low-sulfur fuel at key international bunkering hubs such as Rotterdam and Singapore. In addition, we taking seriously concerns rose in Europe that certain blends of low-sulfur fuels can emit greater amounts of harmful black carbon than the high-sulfur fuels they are meant to replace. Costs of compliance with these and other related regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.  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 we carry cargo insurance to protect us against certain risks of loss of or damage to the procured commodities, we may not be adequately insured to cover any losses from such operational risks, which could have a material adverse effect on us. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash.

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***Climate change and greenhouse gas restrictions may adversely impact our operations and markets.***

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. More specifically, on October 27, 2016, the International Maritime Organization’s Marine Environment Protection Committee (“MEPC”) announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from 3.5% currently to 0.5% as of the beginning of January 1, 2020. Additionally, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies ―levels of ambition to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely.

Since January 1, 2020, ships have to either remove sulfur from emissions or buy fuel with low sulfur content, which may lead to increased costs and supplementary investments for ship owners. The interpretation of "fuel oil used on board" includes use in main engine, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are available around the world but at a higher cost; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which required adopting countries to implement national programs to reduce emissions of certain gases, or the Paris Agreement (discussed further below), a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. In addition, the physical effects of climate change, including changes in weather patterns, extreme weather events, rising sea levels, scarcity of water resources, may negatively impact our operations. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time.

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***Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies may impose additional costs on us or expose us to additional risks.***

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices.  Companies which do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and/or stock price of such a company could be materially and adversely affected.

We may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us, especially given the highly focused and specific trade of crude oil transportation in which we are engaged. If we do not meet these standards, our business and/or our ability to access capital could be harmed.

Additionally, certain investors and lenders may exclude oil transport companies, such as us, from their investing portfolios altogether due to environmental, social and governance factors.  These limitations in both the debt and equity capital markets may affect our ability to grow as our plans for growth may include accessing the equity and debt capital markets.  If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. Further, it is likely that we will incur additional costs and require additional resources to monitor, report and comply with wide ranging ESG requirements.  The occurrence of any of the foregoing could have a material adverse effect on our business and financial condition.

***If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker market, which would negatively affect our financial condition and our ability to expand our business.***

The operation of tanker vessels and transportation of crude and petroleum products is extremely competitive and reduced demand for transportation of oil and oil products could lead to increased competition. Competition arises primarily from other tanker owners, including major oil companies and national oil companies or companies linked to authorities of oil producing or importing countries, as well as independent tanker companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and oil products can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operator to the charterers. Our ability to operate our vessels profitably depends on a variety of factors, including, but not limited to the (i) loss or reduction in business from significant customers, (ii) unanticipated changes in demand for transportation of crude oil and petroleum products, (iii) changes in production of or demand for oil and petroleum products, generally or in particular regions, (iv) greater than anticipated levels of tanker newbuilding orders or lower than anticipated levels of tanker recyclings, and (v) changes in rules and regulations applicable to the tanker industry, including legislation adopted by international organizations such as IMO and the EU or by individual countries.

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Our market share may decrease in the future. If we expand our business or provide new services in new geographic regions, we may not be able to compete profitably. New markets may require different skills, knowledge or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

***Regulations relating to ballast water discharge came into effect during September 2019 and may adversely affect our revenues and profitability.***

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel’s ballast water.  Depending on the date of the International Oil Pollution Prevention (IOPP) renewal survey, existing vessels constructed before September 8, 2017 are required to comply with the updated D-2 standard on or after September 8, 2019.  For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Vessels constructed on or after September 8, 2017 are required to comply with the D-2 standards on or after September 8, 2017.  We currently have 4 tanker vessels that have to install a ballast water management system or otherwise meet the D-2 (discharge) standard during their renewal survey linked to the ship's International Oil Pollution Prevention Certificate after 8 September 2019, where costs of compliance may be substantial and adversely affect our revenues and profitability.

Furthermore, United States regulations are currently changing.  Although the 2013 Vessel General Permit (VGP) program and U.S. National Invasive Species Act (NISA) are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act or VIDA, which was signed into law on December 4, 2018, requires that the EPA develop national standards of performance for approximately 30 discharges, similar to those found in the VGP within two years.  By approximately 2022, the U.S. Coast Guard must develop corresponding implementation, compliance and enforcement regulations regarding ballast water. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs which may adversely affect our profitability.

***Insurance may be difficult to obtain, or if obtained, may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the shipping industry.***

We carry insurance to protect us against most of the accident-related risks involved in the conduct of our business, including marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks, crew insurance and war risk insurance. However, we may not be adequately insured to cover losses from our operational risks, which could have a material adverse effect on us. Additionally, our insurers may refuse to pay particular claims and our insurance may be voidable by the insurers if we take, or fail to take, certain action, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions.

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Under our vessel management agreements with UOT, UOT 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. UOT currently maintains hull and machinery coverage in an amount at least equal to the vessels’ market value. UOT 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 UOT will be able to procure adequate insurance coverage for our fleet in the future or that our insurers will pay any particular claim.

In addition, changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain due to increased premiums or reduced or restricted coverage for losses caused by terrorist acts generally.

Because we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments. We may be subject to increased premium payments, or calls, in amounts based on our claim records, the claim records of our managers, as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

***Adverse market conditions could cause us to breach covenants in our credit facility and adversely affect our operating results.***

The market values of tankers and container vessels have generally been depressed. The market prices for tankers and container vessels declined significantly from historically high levels reached in early 2008, remained at relatively low levels and started recovering only recently. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charterhire rates, competition from other tanker companies and other modes of transportation, types, sizes and ages of vessels, applicable governmental regulations and the cost of newbuildings. We believe that the current aggregate market value of our vessels will be in excess of loan to value amounts required under our credit facility. Our credit facility generally requires that the fair market value of the vessels pledged as collateral never be less than 135% of the aggregate principal amount outstanding under the loan. We were in compliance with these requirements as of December 31, 2019 and as of the date of this annual report.

A decrease in vessel values could cause us to breach certain covenants in our existing credit facility and future financing agreements that we may enter into from time to time. If we breach such covenants and are unable to remedy the relevant breach or obtain a waiver, our lenders could accelerate our debt and foreclose on our owned vessels. Additionally, if we sell one or more of our vessels at a time when vessel prices have fallen, the sale price may be less than the vessel’s carrying value on our consolidated financial statements, resulting in a loss on sale or an impairment loss being recognized, ultimately leading to a reduction in earnings.

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***A shift in consumer demand from oil towards other energy sources or changes to trade patterns for oil and oil products may have a material adverse effect on our business.***

A significant portion of our earnings are related to the oil industry.  A shift in the consumer demand from oil towards other energy resources such as wind energy, solar energy, hydrogen energy or nuclear energy will potentially affect the demand for our vessels.  This could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Seaborne trading and distribution patterns are primarily influenced by the relative advantage of the various sources of production, locations of consumption, pricing differentials and seasonality. Changes to the trade patterns of oil and oil products may have a significant negative or positive impact on the ton-mile and therefore the demand for our tankers. This could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

**Risks Relating to our Common Shares**

***The market price of our common shares is subject to significant fluctuations. Further, there is no guarantee of a continuing public market for you to resell our common shares.***

Our common shares commenced trading on the Nasdaq Global Market on January 19, 2011. Since January 2, 2013, our common shares have traded on the Nasdaq Global Select Market and since March 6, 2020 our common shares have traded on the Nasdaq Capital Market. We cannot assure you that an active and liquid public market for our common shares will continue. The Nasdaq Capital 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.

Since June 2016, we have effected six reverse stock splits of our common shares, each of which was approved by our board of directors and by our shareholders at an annual or special meeting of such shareholders. There were no changes to the trading symbol, number of authorized shares, or par value of our common stock in connection with any of the reverse stock splits. See “Item 4. Information on the Company—A. History and Development of the Company.”

The market price of our common shares has been and may in the future be subject to significant fluctuations as a result of many factors, some of which are beyond our control. Among the factors that have in the past and could in the future affect our stock price are:

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|  | • | the failure of securities analysts to publish research about us, or analysts to make appropriate changes in their financial estimates; |

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

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|  | • | variations in quarterly operating results; |

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|  | • | general economic conditions; |

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|  | • | terrorist or piracy acts; |

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|  | • | future sales of our common shares or other securities; and |

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|  | • | investors’ perception of us and the international containership and tanker sector. |

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

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

***The market price of our common shares has recently declined significantly, and our common shares could be delisted from the Nasdaq Capital Market or trading could be suspended.***

On May 22, 2017, we received a notification of deficiency from The Nasdaq Stock Market, or Nasdaq, stating that because the closing bid price of our common stock for the prior 30 consecutive business days was below $1.00 per share, we no longer met the minimum bid price requirement for listing on the Nasdaq Global Select Market. Additionally, on July 31, 2017, we received a second notification of deficiency from Nasdaq stating that the market value of our publicly held shares fell below the $5,000,000 minimum requirement for listing on the Nasdaq Global Select Market for 30 consecutive business days. We regained compliance with both deficiencies within the prescribed grace period for each of 180 calendar days by effecting reverse stock splits of our common shares. On January 10, 2019, we received another notification of deficiency from Nasdaq, stating that because the closing bid price of our common stock was below the minimum $1.00 per share for 30 consecutive business days, we are not in compliance with Nasdaq Listing Rule 5450(a)(1). The applicable grace period to regain compliance was 180 days, or until July 9, 2019 and we regained compliance with the foregoing deficiency within the prescribed grace period of 180 calendar days. On September 6, 2019, we received another notification of deficiency from Nasdaq, stating that because the closing bid price of our common stock for the prior 30 consecutive business days was below $1.00 per share, we no longer met the minimum bid price requirement for listing on the Nasdaq Global Select Market. On March 5, 2020, Nasdaq approved our application to list our common stock on the Nasdaq Capital Market and our securities were transferred to Nasdaq Capital Market at the opening of business on March 6, 2020. Also, on March 5, 2020, Nasdaq granted us an additional 180 calendar days, until August 31, 2020, in order to regain compliance with the bid price requirement. We intend to cure this deficiency within the prescribed grace period. See “Item 4. Information on the Company—A. History and Development of the Company.”

A decline in the closing price of our common shares could result in a breach of the requirements for listing on the Nasdaq Capital Market. Although we would have an opportunity to take action to cure such a breach, if we do not succeed, Nasdaq could commence suspension or delisting procedures in respect of our common shares. The commencement of suspension or delisting procedures by an exchange remains, at all times, at the discretion of such exchange and would be publicly announced by the exchange. If a suspension or delisting were to occur, there would be significantly less liquidity in the suspended or delisted securities. In addition, our ability to raise additional necessary capital through equity or debt financing would be greatly impaired. Furthermore, with respect to any suspended or delisted common shares, we would expect decreases in institutional and other investor demand, analyst coverage, market making activity and information available concerning trading prices and volume. Additionally, fewer broker-dealers would be willing to execute trades with respect to such common shares. A suspension or delisting would likely decrease the attractiveness of our common shares to investors, may constitute a breach under certain of our credit facilities, constitute an event of default under certain classes of our preferred stock and cause the trading volume of our common shares to decline, which could result in a further decline in the market price of our common shares.

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

Effective as of the quarter ended June 30, 2016, our board of directors decided to suspend the quarterly cash dividend on our common shares. The decision to suspend the dividend reflected our board of director’s determination that it was in the best long-term interests of the Company and its shareholders to aggressively preserve liquidity to manage market conditions and be in a position to benefit from an eventual sector recovery.  Our dividend policy will be assessed by our board of directors from time to time.

Our policy, historically, was 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, even during times when we have sufficient funds and are not restricted from declaring and paying dividends by our lenders or any other party, 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, as well as 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 and tanker 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.

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***Future offerings of debt securities and amounts outstanding under any 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.***

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 certain series of our 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 additional 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 stock or lenders with respect to our credit facilities and other borrowings.

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

We are a holding company, and our subsidiaries, which are directly or indirectly wholly-owned by us, conduct all of our operations and own all of our operating assets. We 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 U.S. 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.

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

Our amended and restated articles of incorporation authorize us to issue up to 500,000,000 shares of common stock, of which 50,520,385 shares were issued and outstanding as of the date of this annual report.

We may offer and sell our common stock or securities convertible into our common stock from time to time, through one or more methods of distribution, subject to market conditions and our capital needs. 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.

***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 conditions 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 Capital 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:

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|  | • | our existing shareholders’ proportionate ownership interest in us may decrease; |

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

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|  | • | the market price of our common stock may decline; and |

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|  | • | 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 judgments of U.S courts 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.

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***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; |

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| --- | --- | --- |
|  | • | prohibiting cumulative voting in the election of directors; |

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| --- | --- | --- |
|  | • | 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 an amended and restated stockholders rights agreement, dated August 29, 2016, or the 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 our 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 our shareholders to realize any potential change of control premium.

**Item 4.**            **Information on the Company**

|  |  |  |
| --- | --- | --- |
|  | ***A.*** | ***History and Development of the Company*** |

Performance Shipping Inc. (formerly Diana Containerships Inc.) is a corporation incorporated under the laws of the Republic of the Marshall Islands on January 7, 2010. Each of our vessels is owned by a separate wholly-owned subsidiary. Performance Shipping 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. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is http://www.sec.gov. The address of our Internet site is http://www.pshipping.com/.

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During 2016 and 2017, we effected six reverse stock splits of our common shares, each which was approved by our board of directors and by our shareholders:

|  |  |  |
| --- | --- | --- |
|  | • | On June 9, 2016, we effected a one-for-eight reverse stock split, which our shareholders approved at our annual meeting of shareholders held on February 24, 2016; |

|  |  |  |
| --- | --- | --- |
|  | • | On July 5, 2017, we effected a one-for-seven reverse stock split, which our shareholders approved at our annual meeting of shareholders held on June 29, 2017; |

|  |  |  |
| --- | --- | --- |
|  | • | On July 27, 2017, we effected a one-for-six reverse stock split, which our shareholders approved at our annual meeting of shareholders held on June 29, 2017; |

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| --- | --- | --- |
|  | • | On August 24, 2017, we effected a one-for-seven reverse stock split, which our shareholders approved at our annual meeting of shareholders held on June 29, 2017; |

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| --- | --- | --- |
|  | • | On September 25, 2017, we effected a one-for-three reverse stock split, which our shareholders approved at our annual meeting of shareholders held on June 29, 2017; and |

|  |  |  |
| --- | --- | --- |
|  | • | On November 2, 2017, we effected a one-for-seven reverse stock split, which our shareholders approved at the special meeting of shareholders held on October 26, 2017. |

There were no changes to the trading symbol, number of authorized shares, or par value of our common stock in connection with any of the reverse stock splits. All share and per share amounts disclosed in this annual report give effect to these six reverse stock splits retroactively, for all periods presented.

On March 30, 2020, our ticker symbol on Nasdaq has changed from “DCIX” to “PSHG”.

***Business Development and Capital Expenditures and Divestitures***

In March 2017, we completed a registered direct offering of (i) 3,000 newly-designated Series B-1 convertible preferred shares, par value $0.01 per share, and common shares underlying such Series B-1 convertible preferred shares, and (ii) warrants to purchase 6,500 of Series B-1 convertible preferred shares, 6,500 of Series B-1 convertible preferred shares underlying such warrants, and common shares underlying such Series B-1 convertible preferred shares. Concurrently with the registered direct offering, we completed an offering of warrants to purchase 140,500 of Series B-2 convertible preferred shares in a private placement, in reliance on Regulation S under the Securities Act. The securities in the registered direct offering and private placement were issued and sold to Kalani Investments Limited, or Kalani, an entity not affiliated with us, pursuant to a Securities Purchase Agreement. In connection with the private placement, we entered into a Registration Rights Agreement with Kalani, pursuant to which the investor was granted certain registration rights with respect to the securities issued and sold in the private placement. In 2017, we received gross proceeds of $3.0 million from the sale of the 3,000 Series B-1 convertible preferred shares. Additionally, 29,500 preferred warrants were exercised during the period for the sale of an equal number of Series B-1 and Series B-2 preferred shares, and we received $29.5 million of gross proceeds for these shares until December 31, 2017. In 2017, from the 32,500 Series B preferred shares issued, 32,211 preferred shares were converted to 4,049,733 common shares and 289 Series B preferred shares remained outstanding as of December 31, 2017. In 2018, we received $17.5 million of gross proceeds from the exercise of 17,490 Series B-2 preferred warrants to purchase an equal number of Series B-2 convertible preferred shares. In aggregate, in 2018, 17,529 Series B-2 convertible preferred shares were converted to 10,250,265 common shares, thus leaving 250 Series B-2 convertible preferred shares outstanding on December 31, 2018.  In 2019, we received $6.5 million of gross proceeds from the exercise of 6,470 Series B-2 preferred warrants to purchase an equal number of Series B-2 convertible preferred shares. In aggregate, in 2019, 5,220 Series B-2 convertible preferred shares were converted to 7,100,510 common shares, thus leaving 1,500 Series B-2 convertible preferred shares outstanding on December 31, 2019. Subsequent to December 31, 2019 and up to April 6, 2020, 1,100 Series B-2 convertible preferred shares were converted to 1,952,152 common shares, thus leaving 400 Series B-2 convertible preferred shares outstanding on April 6, 2020. On April 7, 2020, we entered into an agreement with Kalani and repurchased and cancelled all of our outstanding Series B-2 convertible preferred stock – see below.

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In May 2017, we issued 100 shares of our newly-designated Series C Preferred Stock, par value $0.01 per share, to DSI, in exchange for a reduction of $3.0 million in the principal amount of our then outstanding loan with DSI, thus leaving an outstanding principal balance of $42.4 million on such loan. The Series C Preferred Stock had no dividend or liquidation rights. The Series C Preferred Stock voted with our common shares, and each share of the Series C Preferred Stock entitled the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates did not exceed 49.0% of the total number of votes eligible to be cast on all matters submitted to a vote of our stockholders. As of December 31, 2019, 100 shares of Series C Preferred Stock remained outstanding. On March 26, 2020, we repurchased all 100 shares of Series C Preferred Stock outstanding from DSI and cancelled them- See “Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions.”

In May 2017, we sold the *m/v Doukato (ex Cap Doukato)* to an unrelated party, for a sale price of $6.0 million, net of commissions. The vessel was delivered to her new owners in June 2017.

In June 2017, we repaid to RBS an amount of $85.0 million as full and final settlement of our loan, which had an outstanding balance of $128.9 million as of the date of settlement, and the loan agreement was terminated.  This settlement resulted in a gain of $42.2 million, net of expenses.

In June 2017, the repayment of the RBS loan discussed above was partially funded with $10.0 million from our own cash, with $40.0 million from a refinance of our then existing loan with Diana Shipping and with $35.0 million from a new loan agreement with Addiewell Ltd, or Addiewell, an unrelated party. After the refinance of our then existing unsecured loan facility with Diana Shipping, the principal amount of the new secured loan amounted to $82.6 million, which included the $42.4 million outstanding principal balance as of June 30, 2017, increased by the flat fee of $0.2 million which was payable at maturity, and the additional drawdown of $40.0 million. The new loans with Addiewell and Diana Shipping, which were secured by first and second priority mortgages over our containerships, each would mature in eighteen months from their signing, or on December 31, 2018, and bore interest at the rate of 6% per annum for the first twelve months scaled to 9% for the next three months and further scaled to 12% for the remaining three months of the loans. Additionally, there was a discount premium amount of $10.0 million and $5.0 million for the loans with Addiewell and Diana Shipping, respectively. During 2017 and 2018, we gradually repaid the outstanding balances of both loans, by making use of equity and vessels’ sales proceeds. The entire loan balances of Addiewell and Diana Shipping were fully repaid, together with the applicable discount premiums, in May and July 2018, respectively, and the loan agreements were accordingly terminated.

In October 2017, we entered into two memoranda of agreement, as amended, to sell the vessels *m/v March* and *m/v Great* to unrelated parties, for a sale price of $11.0 million each, net of commissions, and were delivered to their new owners in March 2018. Both vessels were classified as held for sale in the current assets of our 2017 consolidated balance sheets.

From February to May 2018, we entered into five memoranda of agreement to sell the *m/v New Jersey* (ex *YM New Jersey*), the *m/v Sagitta,* the*m/v Centaurus,* the *m/v Puelo* and the *m/v Hamburg* to unrelated parties, for an aggregate sale price of $71.7 million, net of commissions. The vessels were delivered to their new owners between March and July of 2018.

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In January 2019, we announced that our board of directors authorized a share repurchase program to purchase up to an aggregate of $6.0 million of our common shares, or the First Share Repurchase Program. The timing and amount of any repurchases would be determined by our management team, and would depend on market conditions, capital allocation alternatives, applicable securities laws and other factors. The board of directors’ authorization of the First Share Repurchase Program was effective immediately and expired on December 21, 2019. No common shares were repurchased as part of this program until its expiration.

In January 2019, we announced that we received written notification from The Nasdaq Stock Market LLC, or Nasdaq, dated January 10, 2019, indicating that because the closing bid price of our common stock for 30 consecutive business days was below the minimum $1.00 per share bid price requirement for continued listing on the Nasdaq Global Select Market, we were not in compliance with Nasdaq Listing Rule 5450(a)(1). The applicable grace period to regain compliance was 180 days, or until July 9, 2019. We regained compliance on April 4, 2019 and thus cured this deficiency within the prescribed grace period.

In February 2019, we issued 5,747,786 restricted common shares as a one-time special award to the executive management and the non-executive directors, pursuant to our board of directors’ decision of February 15, 2018, in recognition of the successful refinancing of the RBS loan in 2017, which resulted in a significant gain of $42.2 million, net of expenses. The fair value of the award is $5.0 million and the number of shares issued was based on the share closing price of February 15, 2019. One third of the shares vested as of the issuance date and the remainder two thirds will vest ratably over two years from the issuance date.

In February 2019, the affirmative vote of a majority of all votes eligible to be cast by Shareholders entitled to attend and vote at our Annual Meeting of Shareholders approved an amendment to our Amended and Restated Articles of Incorporation to change our name to “Performance Shipping Inc.”, which was effected on February 25, 2019.  Our common shares traded on the NASDAQ stock exchange under the ticker “DCIX” until March 30, 2020, whereupon they commenced trading under the ticker “PSHG.”

In June and November 2019, under two separate transactions, we acquired the entities Taburao Shipping Company Inc., Tarawa Shipping Company Inc. and Rongelap Shipping Company Inc., which were affiliated with our CEO and Chairman, Mr. Symeon Palios, for an aggregate purchase price of $21.0 million. Prior to their acquisition by us, each of the three newly-acquired entities had signed contracts to purchase one Aframax tanker vessel each, the *Blue Moon*, the *Briolette* and the *P. Fos* (ex *Virgo Sun*) from unaffiliated third party sellers for a purchase price of $30.0 million, $30.0 million and $26.0 million respectively, and had paid advance deposits of $8.0 million, $2.0 million and $11.0 million, respectively, in connection therewith. In exchange for the acquisition of the aforementioned entities, we agreed to pay a price equal to the aggregate deposits previously paid to the vessels’ sellers. We paid the $21.0 million aggregate purchase price for the previously signed contracts of the *Blue Moon*, the *Briolette* and the *P. Fos* (ex *Virgo Sun*) in our common shares. Both transactions, which were unanimously approved by the disinterested members of our board of directors, resulted in the issuance of an aggregate number of 21,709,474 of our common shares during 2019.

Also in June 2019, we entered into Amendment No. 1 to the First Amended and Restated Shareholders Rights Agreement, dated as of August 28, 2016, by and between the Company and Computershare Trust Company, N.A., or the Rights Agreement, to amend the definition of “Acquiring Person” set out in the Rights Agreement.

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In July 2019, we, through Taburao Shipping Company Inc. and Tarawa Shipping Company Inc. (the “Initial Borrowers”), entered into a loan agreement with Nordea for a senior secured term loan facility of up to $33.0 million. The purpose of the loan facility was to partially finance the acquisition cost of the tanker vessels *Blue Moon* and *Briolette*, discussed above.

In August and November 2019, we took delivery of the tanker vessels *Blue Moon* and *Briolette* respectively, and drew down the maximum amount of $16.5 million for each vessel, according to the Nordea loan agreement terms.

In August and September 2019, we entered into two memoranda of agreement to sell the container vessels *Pamina* and *Pucon* to unrelated parties, for an aggregate sale price of $29.0 million, net of commissions. The vessels were delivered to their new owners in October and November 2019, respectively.

In September 2019, we announced that we received written notification from The Nasdaq Stock Market LLC, or Nasdaq, dated September 6, 2019, indicating that because the closing bid price of our common stock for 30 consecutive business days was below the minimum $1.00 per share bid price requirement for continued listing on the Nasdaq Global Select Market, we were not in compliance with Nasdaq Listing Rule 5450(a)(1). The applicable grace period to regain compliance was 180 days, or until March 4, 2020. On March 5, 2020, NASDAQ approved our application to list our common stock on the NASDAQ Capital Market and our securities were transferred to NASDAQ Capital Market at the opening of business on March 6, 2020. Moreover, NASDAQ notified us that in connection with the transfer of our securities to the NASDAQ Capital Market, we were granted an additional 180 calendar days, until August 31, 2020, in order to regain compliance with the minimum $1.00 bid price per share requirement.

In December 2019, we, through the “Initial Borrowers” and Rongelap Shipping Company Inc. (collectively “the Borrowers”), entered into an amended and restated loan agreement with Nordea for a senior secured term loan facility of up to $47.0 million.  The purpose of the amended agreement is to provide additional financing of up to $14.0 million for the acquisition of the tanker vessel *P. Fos* (ex *Virgo Sun*), discussed above*.* The amended agreement includes substantively identical terms to the initial agreement of July 2019, discussed above, in all other respects*.*

In January 2020, we took delivery of the tanker vessel *P. Fos* (ex *Virgo Sun*) and drew down the maximum amount of $14.0 million under the amended loan agreement with Nordea, as discussed above.

Also, in January 2020, we announced that our board of directors authorized a share repurchase program to purchase up to an aggregate of $6.0 million of our common shares. The timing and amount of the repurchases is determined by our management team, and depends on market conditions, capital allocation alternatives, applicable securities laws and other factors. From inception on January 29, 2020 and until April 9, 2020, we have repurchased 452,768 common shares of $0.4 million aggregate gross value. We cancel all common shares repurchased as part of this program. Our board of directors’ authorization of the repurchase program will expire on December 21, 2020.

Also in January 2020, we contracted to sell to unaffiliated parties the container vessel *Rotterdam*, for a gross sale price of $18.5 million. The vessel was delivered to her new owners on April 1, 2020.

In February 2020, we contracted to acquire from unaffiliated parties the tanker vessel *P. Kikuma* (ex *FSL Shanghai*), for a gross sale price of $26.0 million. The vessel was delivered to us on March 30, 2020 and we funded its acquisition cost with cash on hand and bank financing – see below.

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On February 18, 2020, the election of Mr. Andreas Michalopoulos as Class I Director of the Company was approved by the requisite vote at our 2020 Annual General Meeting of Shareholders, or the 2020 Annual Meeting. Also effective as of the date of the 2020 Annual Meeting, Mr. Anastasios Margaronis, Mr. Nikolaos Petmezas and Mr. Ioannis Zafirakis have resigned from our board of directors due to other business commitments. Our board of directors appointed Mr. Christos Glavanis and Mrs. Aliki Paliou to the board of directors, effective as of February 28, 2020, to fill the existing vacancies created by the resignations of Messrs Margaronis and Petmezas. Mr. Glavanis was also appointed as Chairman of the Compensation Committee. Finally, also effective February 28, 2020, Mr. Anastasios Margaronis has resigned from his position as our President, Mr. Ioannis Zafirakis has resigned as our Chief Strategy Officer and Secretary, and Mrs. Semiramis Paliou has resigned as our Chief Operating Officer, in order to devote substantially all of their business time to other endeavors. On the same date, Mr. Michalopoulos has been appointed to replace Mr. Zafirakis as Secretary. Since October 31, 2019, Mr. Andreas Michalopoulos also holds the position of Deputy Chief Executive Officer.

On March 1, 2020, we early terminated our Brokerage Agreement with Steamship Shipbroking, which was originally due to expire on March 31, 2020, at no cost.

On March 20, 2020, we signed the second amendment and restatement loan agreement with Nordea, which increases the maximum loan amount to $59.0 million. The purpose of the amended loan facility is to additionally finance the acquisition cost of the vessel *P. Kikuma (ex FSL Shanghai)*, described above, by $12.0 million. The second amendment and restatement loan agreement includes substantively identical terms to the previous loan agreement of December 2019. On March 26, 2020, we drew down the amount of $12.0 million in anticipation of the vessels’ *P. Kikuma* delivery – see above.

On March 23, 2020, the disinterested members of our board of directors approved the repurchase of all of the shares of our Series C Preferred Stock, held by DSI since 2017, for a purchase price of $1.5 million. Our board of directors had previously obtained from an independent third party a fairness opinion for the transaction. On March 25, 2020 we agreed with DSI for the re-purchase of the shares and on March 26, 2020 we paid the purchase price of $1.5 million and cancelled all of the shares of our Series C Preferred Stock. See “Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions.”

On March 30, 2020, our ticker symbol on Nasdaq has changed from “DCIX” to “PSHG.”

On April 7, 2020, we entered into an agreement with Kalani and re-purchased all 400 outstanding Series B-2 convertible preferred shares, discussed above, for a purchase price of $0.4 million. We cancelled these shares upon the conclusion of the transaction.

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|  | ***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.  In August 2019 our first tanker vessel was delivered and since then we have expanded our fleet of tanker vessels.

As of the date of this report, our fleet consists of four Aframax tanker vessels, with a combined carrying capacity of 440,703 DWT and a weighted average age of 10.9 years and also of one Panamax containership, with a carrying capacity of 3,739 TEU and an age of 19.1 years.  As of December 31, 2019, our fleet consisted of two Aframax tanker vessels, with a combined carrying capacity of 209,211 DWT and a weighted average age of 8.5 years and also of one Panamax and one Post-Panamax containerships, with a combined carrying capacity of 10,233 TEU and a weighted average age of 14.1 years.

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As of December 31, 2018, our fleet consisted of two Panamax and two Post-Panamax containerships with a combined carrying capacity of 21,816 TEU and a weighted average age of 13.0 years.

As of December 31, 2017, our fleet consisted of five Panamax and six Post-Panamax containerships, including the two vessels we were contracted to sell as of that date, with a combined carrying capacity of 57,778 TEU and a weighted average age of 11.3 years.

During 2019, 2018 and 2017, we had a fleet utilization of 92.4%, 95.3%, and 75.9%, respectively, our vessels achieved a daily time charter equivalent rate of $15,435, $10,639, and $5,320, respectively, and we generated voyage and time charter revenues of $26.8 million, $25.6 million and $23.8 million, respectively.

Set forth below is summary information concerning our fleet as of April 9, 2020.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Fleet Employment Profile (As of April 9, 2020)** | | | | | |  |
| Performance Shipping Inc.’s fleet is employed as follows: | | | | | |  |
|  |  |  |  |  |  |  |
| **Vessel** | **Gross Rate**  **(USD Per**  **Day)** | **Com\*** | **Charterers** | **Delivery Date to**  **Charterers\*\*** | **Redelivery Date to**  **Owners\*\*\*** | **Notes** |
| **BUILT    CAPACITY** |
| **4 Aframax Tanker Vessels** | | | | | | |
| BLUE MOON | Spot | - | - | - | - - - |  |
| 2011   104,623DWT |  |  |  |  |  |  |
| BRIOLETTE | Spot | - | - | - | - - - |  |
| 2011   104,588DWT |  |  |  |  |  |  |
| P. FOS | Spot | - | - | - | - - - |  |
| 2007   115,577DWT |  |  |  |  |  |  |
| P. KIKUMA | Spot | - | - | - | - - - |  |
| (ex FSL Shanghai) |  |  |  |  |  |  |
| 2007   115,915DWT |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **1 Panamax Container Vessel** | | | | | | |
|  |  |  |  |  |  |  |
| DOMINGO | $11,850 | 3.50% | CMA CGM | 15-Jan-20 | 6-Apr-20 |  |
|  | $10,500 | 3.50% | 6-Apr-20 | 29-Jun-20 |  |
| 2001   3,739TEU |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| \* 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. | | | | | | |

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**Potential Conflicts of Interest**

Our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios, also acts as the Chief Executive Officer and Chairman of the Board of Diana Shipping.  Our Chief Executive Officer has fiduciary duties to manage our business in a manner beneficial to us and our shareholders, and also has fiduciary duties to manage the business of Diana Shipping and its affiliates in a manner beneficial to such entities and their shareholders. Consequently, our Chief Executive Officer may encounter situations in which his fiduciary obligations to Diana Shipping and us are in conflict. Furthermore, 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. Additionally, our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary, Mr. Andreas Michalopoulos, served as Director, Chief Financial Officer and Treasurer of Diana Shipping until his resignation from such positions at Diana Shipping Inc. in February 2020. Furthermore, as described more fully below, certain of our now-resigned directors and executive officers, Mr. Anastasios Margaronis, Mr. Ioannis Zafirakis and Mrs. Semiramis Paliou, served as directors and/or executive officers of Diana Shipping during the period covered by this annual report.

**Management of Our Fleet**

The business of Performance Shipping Inc. is the ownership of vessels.  Performance Shipping Inc. wholly owns, directly or indirectly, the subsidiaries which own the vessels that comprise our fleet. The holding company sets the general overall direction for the company and interfaces with various financial markets.  The commercial and technical management of our fleet, as well as the provision of administrative services relating to the fleet’s operations, have been carried out since March 1, 2013, by UOT, our in-house fleet manager. 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. In addition, in exchange for providing us with commercial and technical services, we pay to UOT a commission of 2.00% 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. For as long as part of the management services is assigned to third-party managers (see below), we pay to UOT a reduced monthly management fee in the range of $1,000 to $5,000, and a commission of 1.00% or 2.00% of our gross revenues, depending on the level of involvement of the third-party managers. These amounts are considered inter-company transactions and are, therefore, eliminated from our consolidated financial statements.

Moreover, in August 2019, upon delivery of the tanker vessel *Blue Moon,* we appointed Maersk Tankers A/S (“Maersk Tankers”), an unaffiliated entity, to provide commercial and technical management services for the vessel on a temporary basis. The commercial and technical services provided to the vessel *Blue Moon* were terminated in December 2019 and February 2020, respectively. Also, in November 2019, upon delivery of the tanker vessel *Briolette*, we also appointed Maersk Tankers to provide technical management services for the vessel on a temporary basis.  For as long as Maersk Tankers were providing commercial management services to the vessel *Blue Moon*, they received a daily fee of $275 per vessel plus 1.25% commission on the vessel’s gross income. For the technical management services that Maersk Tankers provided to the vessel *Blue Moon* until February 2020, and for the technical management fees they still provide to *Briolette*, they receive a daily fee of $570 per vessel. When we terminate the commercial and/or technical management agreements with Maersk, UOT is appointed to provide these services to our tanker vessels, for the fees and commissions described above.

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Furthermore, in late December 2019, UOT has appointed Diana Wilhelmsen Management Limited (“DWM”), to provide management services to our container vessels *Rotterdam* and *Domingo*. DWM was an affiliated entity to us until February 2020 . See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.” For the technical management services, we pay to DWM a fixed management fee of $9,000 per month. DWM has provided commercial management services to our two container vessels until March 1, 2020, for a fixed fee of $5,000 per month and 1.00% commissions on the vessels’ gross income, and on March 1, 2020, the commercial agreements were terminated.  Upon termination of the commercial management services by DWM, UOT was appointed to provide these services to our container vessels, for the fees and commissions described above.

From 2016 to 2018, in addition to the management services provided by UOT, we have also appointed Wilhelmsen Ship Management LTD, an unaffiliated third party, to provide specific management services in relation to the laying-up for a fixed monthly fee for each laid-up vessel.

**Business Strategy**

Our primary objective is to operate our business on behalf of our shareholders in a manner that is consistent with our business strategy. The key elements of our strategy are:

***Fleet***

**Acquire high quality vessels throughout the shipping cycle:** At times when we have sufficient funds and we are not restricted by our lenders or by any other party from doing so, we will seek to provide attractive returns to our investors by making accretive acquisitions of high quality vessels in the secondhand market, including from shipyards and lending institutions. Over time, we expect that asset prices and charter rates will increase and that 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 aim to grow our fleet through selective acquisitions of secondhand vessels. However, as industry dynamics change, we might also opportunistically enter into newbuilding contracts with shipyards on terms that meet our acquisition criteria. When evaluating acquisitions, we expect to consider and analyze our expectation of fundamental developments in the seaborne transportation, changes in trading patterns, the cash flow earned by the target vessel relative to its value, as well as its condition and technical specifications.

***Commercial***

**Strategically deploy our vessels in order to optimize the opportunities in the time charter and spot market.** We intend to actively monitor market conditions, charter rates and vessel operating expenses in order to selectively employ vessels as market conditions warrant. Depending on market conditions, in the future we might enter into a mixture of charter types (short or long-term time charters or spot voyages), 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 a base of strong, visible cash flows with the flexibility to capitalize on favorable market conditions, and that employing part of our fleet in the spot market will enable us to capture increased profit margins during periods of improved charter rates.

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**Leverage Established Commercial Relationships.** We expect to capitalize on our commercial and technical management team’s long-standing relationships with leading charterers. We believe that our experienced management team can assist us in securing employment for our vessels and provide us with an established and diverse customer base in both western and eastern hemisphere geographical basins.

***Management***

**Significant Management Expertise.** We believe that our executive management team has extensive public company and vessel operations experience. In the competitive shipping market, charterers are typically focused on the quality of vessel operators and we believe that our wholly- owned subsidiary fleet manager, UOT, has a reputation as a respected commercial and technical manager. The long experience of our executive, commercial and technical management team gives us confidence that we have established relationships with charterers, financial institutions, insurers, suppliers, ship repair yards and other industry participants.  We believe that these relationships will assist us in further developing our position as a sought-after business partner with our charterers and provide access to attractive acquisition opportunities.

**Highly Efficient Operations.** We believe that the skills of our executive management team, backed by an experienced commercial and technical team, can position us as a cost-efficient and reliable company, due to the quality and maintenance standards of our fleet.  We intend to actively monitor and seek to control vessel operating expenses without compromising the quality of our vessels by utilizing regular inspection and maintenance programs, employing and retaining qualified crew members and taking advantage of the economies of scale that we expect to enjoy when we acquire additional vessels.

***Financial***

**Equity Capital Reliance and Low Leverage Strategy**.  We believe that maintaining a low level of indebtedness will allow us to operate in adverse market conditions. Going forward, we expect to rely on follow-on offerings of shares of our common stock to fund the acquisition of additional secondhand vessels. Consistent with our low leverage strategy, we may enter into new credit agreements or access the public or private debt markets to fund the remaining portion of these acquisitions. We expect the issuance of shares of our common stock to grow our fleet and increase our market capitalization, the trading activity for the shares of our common stock and the number of such shares held by non-affiliated shareholders, but there can be no assurances that such increases will materialize. In addition, our reliance on follow-on offerings of our shares of common stock may significantly dilute existing shareholders.

***Governance***

**In-House Management.** We wholly own the subsidiaries that own the vessels comprising our fleet. Our executive management team’s responsibilities include working to ensure the implementation of our business strategy, general corporate oversight, interfacing with financial markets and supervising the commercial and technical management teams.  The commercial and technical management of our fleet, as well as the provision of administrative services relating to the fleet’s operations, have been carried out since March 1, 2013, by our wholly-owned subsidiary, UOT, our fleet manager, while third party managers may be appointed from time to time to provide management services, usually on a temporary basis. For accounting and administrative purposes only, in exchange for providing us with commercial and technical services, we pay UOT certain fees and commissions. These amounts payable to UOT are considered inter-company transactions and are, therefore, eliminated from our consolidated financial statements.

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**Transparent Corporate Structure.** In addition to performing all management functions in-house, we maintain a majority independent board of directors comprising of individuals with extensive experience in all aspects of our business. Members of our executive, commercial and technical management teams, with the exception of our Chairman and Chief Executive Officer, do not have any duties related to other public or private shipping companies. During the period covered by this annual report, our Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary, Mr. Andreas Michalopoulos, served as Director, Chief Financial Officer and Treasurer of Diana Shipping until his resignation from such positions at Diana Shipping in February 2020.  Furthermore, certain of our now-resigned directors and executive officers, Mr. Anastasios Margaronis, Mr. Ioannis Zafirakis and Mrs. Semiramis Paliou, served as directors and/or executive officers of Diana Shipping during the period covered by this annual report.  As described elsewhere in this annual report, Mr. Anastasios Margaronis, Mr. Ioannis Zafirakis and Mrs. Semiramis Paliou resigned from such positions at Performance Shipping Inc. in February 2020. (Please see “Item 4. Information on the Company—A. History and Development of the Company.”)

**Our Customers**

Our customers include national, regional, and international companies, such as CMA CGM, Hyundai Merchant Marine Co Ltd., Orient Overseas Container Line Ltd. and Wan Hai Lines (Singapore) Pte Ltd. During 2019, five of our charterers accounted for 81% of our revenues: Wan Hai Lines (Singapore) Pte. Ltd (31%), Hyundai Merchant Marine Co Ltd., (11%), CMA CGM (16%), Orient Overseas Container Line Ltd (10%) and Lukoil Asia Pacific (13%). During 2018, three of our charterers accounted for 80% of our revenues: CMA CGM (19%), Orient Overseas Container Line Ltd (32%) and Wan Hai Lines (Singapore) Pte. Ltd (29%). During 2017, three of our charterers accounted for 77% of our revenues: Hapag-Lloyd AG (18%), Orient Overseas Container Line Ltd (24%) and CMA CGM (35%). 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:

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|  | • | ***Less Cargo Handling*** |

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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.

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|  | • | ***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.

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|  | • | ***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.

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|  | • | ***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:

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|  | **•** | **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.

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|  | **•** | **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.

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|  | **•** | **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, the Panama Canal was widened in 2016, and the expansion allows ships with capacity of up to about 13,000 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.

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|  | **•** | **Panamax:** |

Ships with a capacity between 3,000 to 4,999 TEU.

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|  | **•** | **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.

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|  | **•** | **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.

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|  | **•** | **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.

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**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 behavior, including inter-carrier competition. To some extent, container freight rates are also affected by market conditions.

**The Tanker Shipping Industry**

The oil tanker shipping industry constitutes a vital link in the global energy supply chain, in which tanker vessels play a critical role by carrying large quantities of crude oil. The rationale behind this is that only tanker vessels can carry crude oil from one continent to the other and across the oceans based on practical and economical terms. The shipping of crude oil is the only transportation method that implies the lower cost per oil barrel compare to other methods such as pipelines.

Αn oil tanker shipping company earns revenues by the freight rates paid for transportation capacity. Freight is paid for the movement of cargo between a load port and a discharge port. The cost of moving the ship from a discharge port to the next load port is not directly compensated by the charterers in the freight payment but is an expense of the owners if not on time charter.

**Types of Crude Tanker Vessels**

The main categories of crude tanker vessels are:

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|  | • | **VLCCs**, with an oil cargo carrying capacity in excess of 200,000 dwt (typically 300,000 to 320,000 dwt or approximately two million barrels). VLCCs generally trade on long-haul routes from the Middle East and West Africa to Asia, Europe and the U.S. Gulf or the Caribbean. |

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|  | • | **Suezmax tankers**, with an oil cargo carrying capacity of approximately 120,000 to 200,000 dwt (typically 150,000 to 160,000 dwt or approximately one million barrels). Suezmax tankers are engaged in a range of crude oil trades across a number of major loading zones. |

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|  | • | **Aframax tankers**, with an oil cargo carrying capacity of approximately 80,000 to 120,000 dwt (or approximately 500,000 barrels). Aframax tankers are employed in shorter regional trades, mainly in North West Europe, the Caribbean, the Mediterranean and Asia. |

**Tanker 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.

**Tanker Secondhand Prices**

Second-hand prices are primarily driven by trends in the supply and demand for vessels capacity. 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.

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The sale and purchase (S&P) market, where vessels are sold and bought through specialized brokers, determines vessel values on a daily basis. The S&P market is transparent and liquid with a significant number of vessels changing hands annually.

Values for younger vessels tend to fluctuate on a percentage 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.

**The Crude Oil Tanker Freight Market**

**Charter Types**

Employment of oil tankers occurs through the following chartering options:

**Bareboat Charter**: In this charter type vessels are usually employed for several years. All voyage related costs such as bunkers, port dues and daily operating expenses are paid by the charterer. The owner of the vessel is entitled to monthly charter hire payments and covers the capital cost associated to the vessel.

**Time Charter:** Involves the use of the vessel for a number of months or years or for a trip between specific delivery and redelivery positions. The charterer covers all voyage related costs while the owner receives monthly charter hire payments on a per day basisand pays all operating expenses and capital costs of the vessel.

**Spot or Voyage Charter:** Vessels are used for a single voyage for the carriage of a specific amount and type of cargo on a load port to discharge port. Owner covers the repositioning cost of the ship as well as all expenses namely voyage, operating and capital costs of the ship.

**Tanker Charter Rates**

The main factors affecting vessel charter rates are primarily the supply and demand for tanker 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 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 (fuel consumption, speed), the price of new-built and secondhand ships (buying as an alternative to chartering ships) and market conditions.

**Environmental and Other Regulations in the Shipping Industry**

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

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A variety of government and private entities subject our vessels to both scheduled and unscheduled rigorous inspections. These entities include the local port authorities (applicable national authorities such as the Ports State Controls (PSC) or United States Coast Guard (“USCG”), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and particularly the charterers through the SIRE inspection regime and terminal inspections. SIRE inspection program stands for: Ship Inspection Report and is a comprehensive, worldwide inspection regime utilizing inspectors with common training and oversight, to inspect oil tankers, chemical tankers and gas carriers, based on a standardized set of questions and requirements known as the SIRE Vessel Inspection Questionnaire. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is not only in substantial compliance but also exceeds applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

***International Maritime Organization***

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (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,” the International Convention for the Safety of Life at Sea of 1974 (“SOLAS Convention”), and the International Convention on Load Lines of 1966 (the “LL Convention”). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms.  MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997; new emissions standards, titled IMO-2020, took effect on January 1, 2020.

In 2013, the IMO’s Marine Environmental Protection Committee, or the “MEPC,” adopted a resolution amending MARPOL Annex I Condition Assessment Scheme, or “CAS.” These amendments became effective on October 1, 2014, and require compliance with the 2011 International Code on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers, or “ESP Code,” which provides for enhanced inspection programs. We may need to make certain financial expenditures to comply with these amendments.

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***Air Emissions***

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

The Marine Environment Protection Committee, or “MEPC,” adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010.  The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020.  This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels or certain exhaust gas cleaning systems.  Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention (“IAPP”) Certificates from their flag states that specify sulfur content.  Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships were adopted and will take effect March 1, 2020.

These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

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

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect.  Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016.  Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built on or after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in 2010.  As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

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As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection having commenced on January 1, 2019.  The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

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

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

***Safety Management System Requirements***

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills.  The Convention of Limitation of Liability for Maritime Claims (the “LLMC”) sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. Our vessels are in substantial compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the “ISM Code”), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We and our technical management team have developed a functional Safety Management System (SMS), conforming to the requirements of the ISM Code, which includes a safety and environmental protection policy, safe operating procedures, defined levels of authority, procedures for internal audits etc. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

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

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

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code (“IMDG Code”). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements.  Amendments which took effect on January 1, 2020 also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO type 9 tank, (2) new abbreviations for segregation groups, and (3) special provisions for carriage of lithium batteries and of vehicles powered by flammable liquid or gas.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (“STCW”).  As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate.  Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

Furthermore, recent action by the IMO’s Maritime Safety Committee and United States agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is hard to predict at this time.

***Pollution Control and Liability Requirements***

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships’ Ballast Water and Sediments (the “BWM Convention”), in 2004. The BWM Convention entered into force on September 8, 2017.  The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments.  The BWM Convention’s implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

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On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention.  This, in effect, makes all vessels delivered before the entry into force date “existing vessels” and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention (“IOPP”), renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention’s implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards.  Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a “D-1 standard,” requiring the exchange of ballast water only in open seas and away from coastal waters.  The “D-2 standard” specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the Ballast Water, must be approved in accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72’s amendments to the BWM Convention took effect, making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard.  Under these amendments, all ships must meet the D-2 standard by September 8, 2024.    Costs of compliance with these regulations may be substantial.

Once mid-ocean ballast exchange or exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. 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 U.S, for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

The IMO adopted the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984 and 1992, and amended in 2000 (“the CLC”). Under the CLC 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 may be strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability expressed using the International Monetary Fund currency unit, the Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner’s actual fault and under the 1992 Protocol where the spill is caused by the shipowner’s intentional or reckless act or omission where the shipowner knew pollution damage would probably result. The CLC requires ships over 2,000 tons covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner’s liability for a single incident. We have protection and indemnity insurance for environmental incidents. P&I Clubs in the International Group issue the required Bunkers Convention “Blue Cards” to enable signatory states to issue certificates. All of our vessels are in possession of a CLC State issued certificate attesting that the required insurance coverage is in force.

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

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Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where the Bunker Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

***Anti-Fouling Requirements***

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the “Anti-fouling Convention.” The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the anti-fouling systems are altered or replaced. All of our vessels have obtained Anti-fouling System Certificates in accordance to the Anti-fouling Convention.

***Compliance Enforcement***

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively.  As of the date of this report, each of our vessels has a valid Safety Management Certificate (SMC) in accordance to ISM Code a document issued to the vessel, which signifies that the Company and its shipboard management operate in accordance with the approved Safety Management System; However, there can be no assurance that such certificates will be maintained in the future.  The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

***United States Regulations***

The U.S. Oil Pollution Act of 1990 (“OPA”), established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all “owners and operators” whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.’S territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define “owner and operator” in the case of a vessel as any person owning, operating or chartering by demise, the vessel.  Both OPA and CERCLA impact our operations.

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

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

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

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

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

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 12, 2019, the USCG adjusted the limits of OPA liability for a tank vessel, other than a single-hull tank vessel, over 3,000 gross tons liability to the greater of $2,300 per gross ton or $19,943,400 (subject to periodic adjustment for inflation). Also effective November 12, 2019, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of $1,200 per gross ton or $997,100 (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 as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

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

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law.  OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We comply and plan to comply going forward with the USCG’s financial responsibility regulations by providing applicable certificates of financial responsibility.

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The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling and a pilot inspection program for offshore facilities.  However, several of these initiatives and regulations have been or may be revised.  For example, the U.S. Bureau of Safety and Environmental Enforcement’s (“BSEE”) revised Production Safety Systems Rule (“PSSR”), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR.  Additionally, the BSEE amended the Well Control Rule, effective July 15, 2019, which rolled back certain reforms regarding the safety of drilling operations, and the U.S. President has proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling.  The effects of these proposals and changes are currently unknown.  Compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

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

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

***Other United States Environmental Initiatives***

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) (“CAA”) requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. 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. Our vessels operating in such regulated port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these existing requirements.

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

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The U.S. Clean Water Act (“CWA”) prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges.  The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.  In 2015, the EPA expanded the definition of “waters of the United States” (“WOTUS”), thereby expanding federal authority under the CWA.  Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of “waters of the United States.” The proposed rule was published in the Federal Register on February 14, 2019 and was subject to public comment. On October 22, 2019, the agencies published a final rule repealing the 2015 Rule defining “waters of the United States” and recodified the regulatory text that existed prior to the 2015 Rule. The final rule became effective on December 23, 2019. On January 23, 2020, the EPA published the “Navigable Waters Protection Rule,” which replaces the rule published on October 22, 2019, and redefines “waters of the United States.”  The effect of this rule is currently unknown.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters.  The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act (“VIDA”), which was signed into law on December 4, 2018 and replaces the 2013 Vessel General Permit (“VGP”) program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act (“NISA”), such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under Clean Water Act (CWA), requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance, and enforcement regulations within two years of EPA’s promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent (“NOI”) or retention of a PARI form and submission of annual reports. We shall submit NOIs for our vessels where required.

Compliance with the EPA, U.S Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal 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. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses.

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The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in the Baltic, the North Sea and the English Channel (the so called “SOx-Emission Control Area”). As of January 2020, EU member states must also ensure that ships in all EU waters, except the SOx-Emission Control Area, use fuels with a 0.5% maximum sulfur content.

***International Labour Organization***

The International Labour Organization (the “ILO”) is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 (“MLC 2006”). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships that are 500 gross tonnage or over and are either engaged in international voyages or flying the flag of a Member and operating from a port, or between ports, in another country.  Company’s Safety Management System establishes working and living standards for all seafarers working onboard that exceed MLC 2006 requirements. All our vessels have been issued the MLC Certificate following, surveys, inspections, paperwork and approval by the registered flag state.

***Greenhouse Gas Regulation***

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

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At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies “levels of ambition” to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol’s second period from 2013 to 2020.  Starting in January 2018, large ships over 5,000 gross tonnage calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA’s plan to cut greenhouse gas emissions, and in August 2019, the Administration announced plans to weaken regulations for methane emissions. The EPA or individual U.S. states could enact environmental regulations that would affect our operations.

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

***Vessel Security Regulations***

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 (“MTSA”). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facility Security Code (“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 (“ISSC”) from a recognized security organization approved by the vessel’s flag state. Ships operating without a valid certificate may be detained, expelled from or refused entry at port until they obtain an ISSC.  The various requirements, some of which are found in the SOLAS Convention, include, for example:

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|  | • | 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; |

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

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|  | • | the development of vessel security plans; |

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|  | • | ship identification number to be permanently marked on a vessel’s hull; |

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|  | • | 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 |

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|  | • | compliance with flag state security certification requirements. |

The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel’s compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us.

All vessels have been issued with ISSC which is subject to Verifications that have ensured that the security system and any associated security equipment of the vessel fully complies with the applicable requirements of MTSA and the ISPS Code, is in satisfactory condition and fit for the service for which the vessel is intended.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and Arabian Sea area. Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP5 industry standard.

***Inspection by Classification Societies***

The hull and machinery of every commercial vessel must be classed by a classification society recognized by its country of registry and member of the International Association of Classification Societies, the IACS. The classification society certifies that a vessel is constructed to specific structural standards and carries out regular surveys throughout vessel’s service life to ensure continuing compliance with the standards. The Classification Certificate issued is required to enable vessel’s owner to register the ship and to obtain Marine Insurance on the ship. Commercially, it is required to be produced before a vessel’s entry into ports or waterways and is of interest to Charterers and potential Buyers. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015.  The Rules attempt to create a level of consistency between IACS Societies.  All of our vessels are certified as being “in class” by IACS recognized Classification Societies (e.g., Bureau Veritas, Lloyd's Register of Shipping).

The Class and Statutory Certificates need to be renewed every 5 years. A vessel must undergo a cycle of 5-years surveys consisting of periodical surveys, such as annual and intermediate surveys, and special or renewal surveys. Periodical Surveys are carried out to confirm vessel’s compliance to Rules and Regulations. In the scope of ensuring vessel’s construction integrity a docking survey is required twice in the 5-years Certificates validity and without exceeding 36 months interval period. Vessels younger than 15 years old can be exempted from the intermediate docking survey by an Underwater Inspection to Class acceptance. In lieu of a special survey, vessel’s Machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. In addition Hull and Construction are surveyed and tested, resulting in the renewal of Class and Statutory Certificates. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, docking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

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**Risk of Loss and Liability Insurance Coverage**

***General***

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, 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 shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners 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 Risk 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 market value with deductibles which vary according to the size and value of the vessel.

***Protection and Indemnity Insurance***

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

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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. The International Group’s website states that the Pool provides a mechanism for sharing all claims in excess of $10 million up to, currently, approximately $8.2 billion. 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.

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|  | ***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.

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|  | ***D.*** | ***Property, Plants and Equipment*** |

Our in-house fleet manager, UOT, rents our office space from unrelated third parties and owns office furniture and equipment. In December 2014, UOT also acquired, jointly with two other related parties, a plot of land in Athens, Greece. The plot of land is under the common ownership of the joint purchasers.

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

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| **Item 4A.** | **Unresolved Staff Comments** |

Not applicable.

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| **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. Key Information – D.  Risk Factors” and elsewhere in this report.

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|  | ***A.*** | ***Operating Results*** |

We have historically chartered our vessels to customers primarily pursuant to short-term and long-term time charters and on spot voyages. 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.  Under spot charter arrangements, voyage expenses that are unique to a particular charter are paid for by us. 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 management fees and commissions to one or more managers and unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

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**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 voyage and time charter revenues, less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE is a non-GAAP measure. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels despite changes in the mix of charter types (i.e., voyage (spot) charters, time charters and bareboat charters). |

|  |  |  |
| --- | --- | --- |
|  | • | *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, lubricant costs, tonnage taxes, regulatory fees, environmental costs, lay-up expenses and other miscellaneous expenses divided by total ownership days for the relevant period. |

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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, 2019** | **For the year ended**  **December 31, 2018** | **For the year ended**  **December 31, 2017** |
| Ownership days | 1,516 | 2,307 | 4,178 |
| Available days | 1,516 | 2,284 | 4,155 |
| Operating days | 1,401 | 2,177 | 3,152 |
| Fleet utilization | 92.4% | 95.3% | 75.9% |
| Time charter equivalent (TCE) rate (1) | $15,435 | $10,639 | $5,320 |
| Daily operating expenses | $7,468 | $6,698 | $5,441 |

|  |  |  |
| --- | --- | --- |
|  | (1) | Please see “Item 3. Key Information – A. Selected Financial Data” for a reconciliation of TCE to GAAP measures. |

***Voyage and 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 shipping industry; and |

|  |  |  |
| --- | --- | --- |
|  | • | other factors affecting spot market charter rates for vessels. |

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 time and spot charters, we mitigate our charter rates fluctuation exposure.

Currently, the vessels in our fleet are employed either on time charters or on spot voyages. Our 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. For 2020, we expect our revenues to increase as we further expand our fleet and as the tankers’ market shows signs of improvement, unless we face unpredictable losses of revenues as a result of the COVID-19 pandemic which is currently evolving.

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***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, while they are on the account of the charterer when vessels are time-chartered. Laid-up vessels, if any, do not incur bunkers costs. However, at times when our vessels are off-hire due to other reasons, we incur port and canal charges and bunker 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. Our in-house 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. Our third party managers, receive commissions from 1.00% to 1.25% on the gross revenues of the vessels they provide commercial services to. For 2020, we expect our voyage expenses to follow the same trend with our voyage and time charter revenues.

***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, lay-up expenses 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, UOT 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. Separately, we obtain operating expenses budgets from the third party managers we appoint from time to time to provide full or partial management services to our vessels.  We monitor the performance of UOT and the third party managers by comparing actual vessel operating expenses with the operating expense budget for each vessel. For 2020, we expect our vessel operating expenses to increase as we further expand our fleet.

***Vessel Depreciation***

We depreciate all our vessels on a straight-line basis over their estimated useful lives which we estimate to be 25 years for the tankers - and 30 years for the containers, 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 is estimated at $350 per light-weight ton for all vessels in our fleet. We believe that these assumptions are common in the tanker and containership industry. For 2020, we expect depreciation expense to increase as we further expand our fleet.

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***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 have been provided for, until March 1, 2020, under our Broker Services Agreement with Steamship Shipbroking Enterprises Inc. 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. For 2020, we expect our general and administrative expenses to remain approximately at the same levels, as these expenses are relatively fixed and are not widely affected by the expansion (or shrinkage) of our fleet.

**Interest and Finance Costs**

We have historically incurred interest expense and financing costs in connection with vessel-specific debt. As of December 31, 2019, our outstanding debt amounted to $32.5 million and until the date of this annual report, we have drawn down another $26.0 million to fund our newly-acquired tanker vessels. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. For 2020, we expect interest and finance expenses to increase due to increased average debt.

**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 do 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.

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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:

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| --- | --- | --- |
|  | • | 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; |

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| --- | --- | --- |
|  | • | replace all hired equipment on board, such as gas cylinders and communication equipment; |

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| --- | --- | --- |
|  | • | negotiate and enter into new insurance contracts for the vessel through our own insurance brokers; |

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| --- | --- | --- |
|  | • | register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state; |

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| --- | --- | --- |
|  | • | implement a new planned maintenance program for the vessel; and |

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| --- | --- | --- |
|  | • | 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 |

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| --- | --- | --- |
|  | • | 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:

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| --- | --- | --- |
|  | • | vessel maintenance and repair; |

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| --- | --- | --- |
|  | • | 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. |

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

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|  | • | 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. Key Information – 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 2019, we recorded impairment charges for three of our vessels as a result of their classification as held for sale during the year, or due to our impairment test exercise indicating that their carrying values were not recoverable. For the same reasons, in 2018, we recorded impairment charges for two of our vessels.

Based on: (i) the carrying value of each of our vessels as of December 31, 2019, and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2019, the aggregate carrying value of all the vessels in our fleet as of December 31, 2019 did not exceed their aggregate charter-free market values.  Similarly, based on: (i) the carrying value of each of our vessels as of December 31, 2018, and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2018, the aggregate carrying value of two vessels in our fleet as of December 31, 2018 exceeded their aggregate charter-free market value by approximately $34.8 million, as noted in the table below.

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; |

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| --- | --- | --- |
|  | • | 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; |

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| --- | --- | --- |
|  | • | 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. Key Information – 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.”

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | |  |  |  | **Carrying Value**  **(in millions of US dollars)** | |
| **Vessel** | | **TEU** | **DWT** | **Year Built** | **At December 31, 2019** | **At December 31, 2018** |
| 1 | Domingo | 3,739 |  | 2001 | 5.0 | 5.0 |
| 2 | Pucon | 6,541 |  | 2006 | - | 38.4 \* |
| 3 | Pamina | 5,042 |  | 2005 | - | 9.2 |
| 4 | Rotterdam | 6,494 |  | 2008 | 18.5 | 33.3\* |
| 5 | Blue Moon |  | 104,623 | 2011 | 29.5 | - |
| 6 | Briolette |  | 104,588 | 2011 | 29.9 | - |
|  | **Vessels' Net Book Value** | |  |  | **82.9** | **85.9** |

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

|  |  |
| --- | --- |
| **\*** | Indicates vessels for which we believe, as of December 31, 2018, 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 $34.8 million. |

**Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of 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.

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***Accounting for Voyage and Time Charter Revenues and Related Expenses***

Since our vessels are employed under time and voyage charter contracts, we disaggregate our revenue from contracts with customers by the type of charter (time charters and spot charters).

We have determined that all of our time charter agreements contain a lease and are therefore accounted for as operating leases in accordance with ASC 842. Time charter revenues are accounted for over the term of the charter as the service is provided. Vessels are chartered when a contract exists and the vessel is delivered (commencement date) to the charterer, for a fixed period of time, at rates that are generally determined in the main body of charter parties and the relevant voyage expenses burden the charterer (i.e. port dues, canal tolls, pilotages and fuel consumption). Upon delivery of the vessel, the charterer has the right to control the use of the vessel (under agreed prudent operating practices) as they have the enforceable right to: (i) decide the delivery and redelivery time of the vessel; (ii) arrange the ports from which the vessel shall pass; (iii) give directions to the master of the vessel regarding vessel's operations (i.e. speed, route, bunkers purchases, etc.); (iv) sub-charter the vessel and (v) consume any income deriving from the vessel's charter. Any off-hires are recognized as incurred. The charterer may charter the vessel with or without owner's crew and other operating services. In the case of time charter agreements, the agreed hire rates include compensation for part of the agreed crew and other operating services provided by the owner (non-lease components). We, as a lessor, elected to apply the practical expedient which allowed us to account for the lease and the non-lease components of time charter agreements as one, as the criteria of the paragraphs ASC 842-10-15-42A through 42B are met. Time-charter revenue is usually received in advance, and as such, unearned revenue represents cash received prior to the balance sheet date for which related service has not been provided.

Spot, or voyage, charter is a charter where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified freight rate per ton, regardless of time to complete. We have determined that under voyage charters, the charterer has no right to control any part of the use of the vessel. Thus, our voyage charters do not contain lease and are accounted for in accordance with ASC 606. More precisely, we satisfy our single performance obligation to transfer cargo under the contract over the voyage period. Thus, revenues from voyage charters on the spot market are recognized ratably from the date of loading (Notice of Readiness to the charterer, that the vessel is available for loading) to discharge date of cargo (loading-to-discharge). Voyage charter payments are due upon discharge of the cargo. Demurrage revenue, which is included in voyage revenues, represents charterers’ reimbursement for any potential delays exceeding the allowed lay time as per charter party agreement, represents form of variable consideration and is recognized as the performance obligation is satisfied.

Under a time charter, specified voyage costs, such as bunkers and port charges are paid by the charterer while commissions are paid by the Company. Under spot charter arrangements, voyage expenses that are unique to a particular charter are paid for by the Company. Commissions are expensed as incurred. Voyage expenses that qualify as contract fulfillment costs (mainly consisting of bunkers expenses and port dues) and are incurred by us from the latter of the end of the previous vessel employment, provided that the vessel is fixed, or from the date of inception of a voyage charter contract until the arrival at the loading port, are capitalized to Deferred Voyage Expenses and amortized ratably over the total transit time of the voyage (loading-to-discharge). Vessel voyage expenses that do not qualify as contract fulfillment costs, operating expenses and charter hire expense are expensed when incurred.

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***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 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 our management’s 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. Recent economic and market conditions have had broad effects on participants in a wide variety of industries. The current conditions in the shipping market, including low charter rates and vessel market values, are conditions that we consider indicators of a potential impairment. Management also takes into account factors such as the vessels’ age and employment prospects under the then current market conditions, and determines the future undiscounted cash flows considering its various alternatives, including sale possibilities existing for each vessel as of the testing dates.

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 time charters for the fixed fleet days and an estimated daily rate for the unfixed days (based, to the extent applicable, on the most recent 10 year average historical rates available for each type of vessel) 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.  Effective fleet utilization is assumed to 98% in our exercise, if vessel not laid-up, 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 our historical performance and our expectations for future fleet utilization under our current fleet employment strategy. The review of the vessel’s carrying amounts in connection with the estimated recoverable amounts for 2019 and 2018 indicated impairment charges for certain of our vessels, amounting to $31.6 million and $20.7 million, respectively.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Results of Operations** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  | **For the Years Ended December 31,** | | | | | | | | | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **variation** | |  |  | **% change** | |  |
|  |  | **in millions of U.S. dollars** | | | | | | | | | |  |  |  | |  |
| Voyage and time-charter revenues |  |  | 26.8 |  |  |  | 25.6 |  |  |  | 1.2 |  |  |  | 5 | % |
| Voyage expenses |  |  | (3.4 | ) |  |  | (1.3 | ) |  |  | (2.1 | ) |  |  | 162 | % |
| Vessel operating expenses |  |  | (11.3 | ) |  |  | (15.5 | ) |  |  | 4.2 |  |  |  | -27 | % |
| Depreciation and amortization of deferred charges |  |  | (3.7 | ) |  |  | (4.9 | ) |  |  | 1.2 |  |  |  | -24 | % |
| Management fees |  |  | (0.2 | ) |  |  | - |  |  |  | (0.2 | ) |  |  | - |  |
| General and administrative expenses |  |  | (8.2 | ) |  |  | (8.0 | ) |  |  | (0.2 | ) |  |  | 3 | % |
| Impairment losses |  |  | (31.6 | ) |  |  | (20.7 | ) |  |  | (10.9 | ) |  |  | 53 | % |
| Loss on vessels' sale |  |  | (0.1 | ) |  |  | (16.7 | ) |  |  | 16.6 |  |  |  | -99 | % |
| Foreign currency (gains) / losses |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |
| Interest and finance costs |  |  | (0.7 | ) |  |  | (11.5 | ) |  |  | 10.8 |  |  |  | -94 | % |
| Interest income |  |  | 0.3 |  |  |  | 0.1 |  |  |  | 0.2 |  |  |  | 200 | % |
| Net loss |  |  | (32.1 | ) |  |  | (52.9 | ) |  |  | 20.8 |  |  |  | -39 | % |

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***Year ended December 31, 2019 compared to the year ended December 31, 2018***

*Net Loss.* Net loss for 2019 amounted to $32.1 million, compared to a net loss of $52.9 million for 2018. The loss for 2019 includes $31.6 million in impairment charges for three vessels and $0.1 million of aggregate loss in connection with the sale of two vessels. The loss for 2018 includes $20.7 million in impairment charges for two vessels, $16.7 million of aggregate loss in connection with the sale of seven vessels, and $11.5 million of interest and finance costs incurred for our then outstanding loans with related and unrelated parties.

*Voyage and Time Charter Revenues.* Voyage and Time charter revenues in 2019 amounted to $26.8 million, compared to $25.6 million in 2018. The voyage and time charter revenues increased, mainly due to the revenues contributed by the tanker vessels *Blue Moon* and *Briolette*, acquired in August and November 2019, respectively, and the increase was partially off-set by the decreased revenues derived following the gradual sale of the container vessels *March, Great, New Jersey, Sagitta, Centaurus, Puelo*, *Hamburg* , *Pamina* and *Pucon*, from March 2018 to November 2019.

*Voyage Expenses.* Voyage expenses for 2019 amounted to $3.4 million, compared to $1.3 million in 2018. Voyage expenses mainly consist of bunkers costs, port and canal expenses and commissions paid to third party brokers. The increase in voyage expenses in 2019 compared to 2018 was mainly due to significantly increased bunkers costs and port and canal expenses incurred, as a result of the employment of our tanker vessels in spot voyages, in which these costs are on the owners’ account. Commissions remained in 2019 at the same levels as in 2018.

*Vessel Operating Expenses.* Vessel operating expenses amounted to $11.3 million in 2019, compared to $15.5 million in the prior year and mainly consist of expenses for running and maintaining our vessels, such as crew wages and related costs, consumables and stores, insurances, repairs and maintenance, environmental compliance costs and lay-up expenses. The decrease in vessel operating expenses in 2019 was attributable to the decrease in the size of our fleet, although almost all major categories of operating expenses have increased on a daily basis. The main average daily increases are reflected in the repairs, maintenance and crew costs, due to increased vessels’ maintenance needs in 2019 compared to 2018.

*Depreciation and Amortization of Deferred Charges*.  Depreciation and amortization of deferred charges for 2019 amounted to $3.7 million, compared to $4.9 million in 2018 and mainly represents the depreciation expense of our vessels and the amortization charge of dry-docking costs for vessels. In 2019, depreciation expenses decreased, mainly as a result of the decrease in the size of our fleet.

*General and Administrative Expenses*.  General and administrative expenses for 2019 amounted to $8.2 million, compared to $8.0 million in 2018 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 increase in general administrative expenses was mainly attributable to increased directors and officers insurance expense and compensation cost of restricted stock awards, and was partially counterbalanced by decreased audit and legal fees and decreased taxes connected with the payroll of the office employees.

*Impairment Losses.* Impairment losses in 2019 and 2018 amounted to $31.6 million and $20.7 million, respectively, and represent non-cash impairment charges recorded for the vessels *Pucon,* *Pamina* and *Rotterdam* in2019*,* and for the vessels *Hamburg* and *Pamina* in2018*,* The impairment charges were recorded as the Company’s assessment concluded that the book values of the respective vessels were not recoverable, or due to the vessel’s classification as held for sale during the year under consideration.

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*Loss on Vessels’ Sale.* In 2019, loss on vessels’ sale amounted to $0.1 million and relates to the sales of the vessels *Pamina and Puelo* in October and November 2019, respectively. In 2018, loss on vessels’ sale amounted to $16.7 million and relates to the sales of the vessels *March, Great, New Jersey, Sagitta, Centaurus, Puelo and Hamburg* from March to July 2018, respectively.

*Foreign Currency (Gains) / Losses.* Foreign currency gains for 2019 amounted to $7 thousand, and mainly consist of unrealized exchange differences derived from the year-end valuation of accounts other than the U.S. Dollar. In 2018, there were foreign currency gains of $44 thousand.

*Interest and Finance Costs.* Interest and finance costs for 2019 amounted to $0.7 million, compared to $11.5 million for 2018 and consist of the interest expenses relating to our average debt outstanding during the respective periods and other loan fees and expenses. The decrease in 2019 was mainly attributable to the decrease of the interest expense, as a result of the full repayments of the DSI and Addiewell loans, together with the applicable discount premiums, in May and July 2018, respectively. Also, the average interest rates decreased from 6.11% in 2018, to 4.68% in 2019.

*Interest Income.* Interest income for 2019 and 2018 amounted to $0.3 million and $0.1 million, respectively, and consists of interest income received on deposits of cash and cash equivalents. Interest income in 2019 increased as a result of increased cash held during the year.

***Year ended December 31, 2018 compared to the year ended December 31, 2017***

Please refer to our 2018 20-F filed with the SEC on March 18, 2019.

***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.

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|  | ***B.*** | ***Liquidity and Capital Resources*** |

We have historically financed our capital requirements with cash flow from operations, equity contributions from shareholders and long- and medium-term debt. Our operating cash flow is generated from charters on our vessels, through our subsidiaries. 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 loans and payments of dividends (which our board of directors determined to suspend in 2016). At times when we are not restricted by our lenders from acquiring additional vessels, we will require capital to fund vessel acquisitions and debt service.

As of December 31, 2019 and 2018, our working capital, which is current assets minus current liabilities, including the current portion of long-term debt, was $27.3 million and $9.1 million, respectively. We expect that we will fund our operations with cash on hand, cash generated from operations, bank debt and equity offerings, or a combination thereof, in the twelve-month period ending one year after the financial statements' issuance.

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However, beginning in February 2020, due in part to fears associated with the spread of COVID-19, global financial markets, and starting in late February, financial markets in the U.S., experienced even greater relative volatility and a steep and abrupt downturn, which volatility and downturn may continue as COVID-19 continues to spread. Credit markets and the debt and equity capital markets have been distressed and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current 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.

***Cash Flow***

As of December 31, 2019, cash and cash equivalents amounted to $26.4 million, compared to $10.5 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 Used in Operating Activities***

Net cash used in operating activities in 2019, 2018 and 2017 amounted to $4.2 million, $0.3 million and $12.7 million, respectively.  Cash from operations in 2019 was weaker compared to the prior year, as trade accounts receivables, inventories and prepaid and other assets had significantly higher balances as of December 31, 2019 compared to December 31, 2018.  These changes are mainly attributable to the employment of certain of our vessels for the first time in the spot market, where freight under these type of contracts is typically paid at the end of the voyage and the owners bear the cost of bunkers, compared to the time-charter contracts where revenue is typically paid in advance and fuel cost are on charterers’ account. Cash from operations in 2018 was marginally negative and its improvement compared to the prior years reflected the market improvement from the low vessels’ performance in 2016 and 2017, when the prolonged weak charter market conditions in the containership sector led to low fleet utilization during both years through vessel lay-ups, increased off-hire days and reduced time charter rates.

***Net Cash Provided by/ (Used in) Investing Activities***

Net cash used in investing activities in 2019 was $18.5 million and consists of $28.9 million net proceeds received from the sale of two container vessels during the year, $50.2 million that we paid for the acquisition of two tanker vessels, $17 thousand we paid as vessel’s advances, $2.8 million received, representing insurance settlements, and $38 thousand paid for equipment additions.

Net cash provided by investing activities in 2018 was $93.2 million and consists of $92.9 million received from the sale of seven vessels during the year, $0.1 million paid for equipment additions, and finally $0.4 million received, representing insurance settlements.

Net cash provided by investing activities in 2017 was $6.7 million and consists of $5.9 million received from the sale of one vessel during the year, $15 thousand paid for equipment additions, and finally $0.8 million received, representing insurance settlements.

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***Net Cash Provided by / (Used in) Financing Activities***

Net cash provided by financing activities in 2019 was $38.6 million and consists of $33.0 million of bank loan proceeds, $0.5 million of bank debt repayments, $6.5 million of net proceeds from equity offering, and finally $0.4 million of paid equity issuance and finance costs.

Net cash used in financing activities in 2018 was $88.8 million and consists of $87.6 million of debt repayments to related parties, $18.5 million of debt repayments to unrelated parties, $17.4 million of net proceeds from our equity offering, and finally $0.1 million of finance costs that we paid for our loan agreements.

Net cash used in financing activities in 2017 was $4.9 million and consists of $75.0 million of loan proceeds from our new loan facilities with Addiewell and DSI, $111.5 million of debt repayments to unrelated parties, $32.0 million of net proceeds from our equity offering and $0.4 million of finance costs that we paid for our new loan agreements.

***Loan Facilities***

As at December 31, 2019, we had $32.5 million of long-term debt outstanding under our facility with Nordea, and until the date of this annual report we have additionally drawn down $26.0 million from the same lenders to support the acquisition cost of the tanker vessels *P. Fos* *and P. Kikuma.* The facility with Nordea is described below.

***Nordea Bank Abp, Filial i Norge (Nordea):***

On July 24, 2019, we, through two of our wholly-owned subsidiaries (the “Initial Borrowers”), entered into a loan agreement with Nordea for a senior secured term loan facility of up to $33.0 million. The purpose of the loan facility was to partially finance the acquisition cost of the tanker vessels *Blue Moon* and *Briolette*. An arrangement fee of $330 thousand was paid on signing the loan agreement and commitment commissions of 0.9625% per annum were calculated on the undrawn amounts from the date of signing the loan agreement until the drawdown dates. In July and November 2019, the Initial Borrowers drew down the maximum amount of $16.5 million each.

The *Blue Moon* tranche is repayable in 20 quarterly installments of $0.52 million and a balloon of $6.10 million payable together with the last installment, while the *Briolette* tranche is repayable in 19 quarterly installments of $0.57 million and a balloon of $5.67 million payable together with the last installment. Both tranches mature on July 30, 2024 and bear interest at LIBOR plus a margin of 2.75% per annum.

On December 23, 2019, we, through the “Initial Borrowers” and one new wholly-owned subsidiary (collectively “the Borrowers”), entered into the first amendment and restatement loan agreement with Nordea for a senior secured term loan facility of up to $47.0 million.  The purpose of the amended agreement was to provide additional finance of up to $14.0 million for the acquisition of the tanker vessel *P. Fos* (ex *Virgo Sun*), and in all other respects included identical terms to the initial agreement of July 2019. On January 22, 2020, we drew down the amount of $14.0 million to support the acquisition of the vessel *P. Fos* (ex *Virgo Sun*), whose delivery took place on January 27, 2020.

The loan is guaranteed by Performance Shipping Inc., is secured by first priority mortgages over the financed tanker vessels, first priority assignments of earnings, insurances and of any charters exceeding durations of two years, pledge over the borrowers’ shares and over their earnings accounts, and vessels’ managers undertakings. The loan agreement requires a minimum hull value of the financed vessels, imposes restrictions as to dividend distribution following the occurrence of an event of default and changes in shareholding, includes customary financial covenants and requires minimum cash liquidity of $7.0 million at all times during the facility period plus $1.0 million per additional tanker vessel acquired. As at December 31, 2019, the compensating cash balance required under the loan agreement amounted to $7.0 million. As at December 31, 2019, and the date of this report, we were in compliance with all of our loan covenants.

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On March 20, 2020, we signed the second amendment and restatement loan agreement with Nordea for a senior secured term loan facility of up to $59.0 million. The purpose of the second amendment and restatement loan agreement was to provide additional finance of up to $12.0 million for the acquisition of the tanker vessel *P. Kikuma* (ex *FSL Shanghai)*, and in all other respects included identical terms to the prior agreement of December 2019. On March 26, 2020, we drew down the amount of $12.0 million. The vessel *P. Kikuma* has been delivered to us on March 30, 2020.

As of December 31, 2019 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 vessels 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.

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|  | ***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.

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|  | ***D.*** | ***Trend Information*** |

***Container Shipping Market***

Pressure on the world economy following the outbreak of COVID-19 has led to factory closures and supply chain impacts, which we anticipate will impact the liner trade. Following year end, we expect the container market to be negatively impacted as a result of the outbreak of COVID-19, with a slowdown in global and, in particular, in Chinese production during the first months of 2020. It remains difficult to assess the effects on trade flows, with a further slowdown in consumer spending expected.

In 2019, total seaborne container trade demand grew at around 1.7% as the global economic growth began to decelerate. During the year, the trade dispute between China and United States escalated, with both countries imposing tariffs in selective imported goods. As a result, global trade lost momentum and business confidence and global capital expenditure declined.

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Total containership supply grew at around 4% in 2019 as demolitions drop during the year. However, the supply of containerships with capacity above 12,000 TEU, added pressure on the industry. However, according to Clarksons Research, 1.5% of total containership supply was absorbed by scrubber retrofits. As a result, time charter rates and values on average maintained their 2018 levels, but with the bigger and younger vessels performing significantly better.

Demand for containership transportation services especially for larger vessels increased during the year as liner companies started to prepare for the introduction of the IMO regulations. Idle fleet represented 6.1% of the total fleet at the end of 2019. However, since the first quarter of 2019, idle fleet includes vessels undergoing scrubber retrofit installations. For instance, out of the 1.4 million inactive TEU capacity, about 1 million TEU capacity is linked to vessels undergoing scrubber installations. With the exclusion of vessels linked to scrubber installations, idle fleet was 1.5%. The containerships with capacity of more than 6,000 TEU captured the greater benefit by earning higher charter rates due to the scrubber retrofit installations. Containership ordering in 2019 decreased to 789,000 TEU with the total order book remaining historically low at 11% of the total fleet at the end of 2019. However, since vessels with more than 12,000 TEU capacity constituted 67% of the orderbook, there is concern that the industry will be pressed if the improved containership demand is not sustainable.

***Tanker Shipping Market***

The global outbreak of COVID-19 is creating wide ranging operational disruptions and a potential major demand “shock” on the oil market. The impact may even reach 1.7m barrels per day (bpd) in 2020. However, the low oil price and the production surge following Saudi Arabia’s decision to increase output to 12.3m bpd has driven a strong tanker market (VLCCs averaged $279,000/day as at 13 March).

‘Headline’ fundamentals across the crude tanker sector currently appear relatively balanced in 2020, although downside risks to the Aframax market outlook have clearly built. Crude Aframax dwt demand is currently projected to increase marginally (by c.0.3%) in 2020, with support from growing US-Europe and intra-UKC crude trade volumes. However, there remain headwinds to the demand outlook, including ongoing OPEC-led supply cuts, continued disruption to Venezuelan crude exports, and the recent coronavirus outbreak in China, which has significantly impacted Chinese refinery runs in recent weeks and is likely to impact Aframax crude trade on some intra-Asian routes. Significant downside potential remains to the crude tanker demand outlook if disruption in China continues for an extended period.

According to Clarksons Research, the average spot earnings for an Aframax tanker trading on selected routes (e.g. Intra-Asia, Med-Med, Black Sea-Med and others) in 2019 was a daily TCE rate of $ 26,225. This compares to an estimated daily TCE rate of $16,175 in 2018.

The total ‘trading’ crude tanker fleet is projected to grow by c.3% in 2020, although crude Aframax fleet capacity is expected to remain steady, with deliveries projected to slow to the lowest level since 2015.

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|  | ***E.*** | ***Off-balance Sheet Arrangements*** |

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

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|  | ***F.*** | ***Tabular Disclosure of Contractual Obligations*** |

The following table presents our contractual obligations, in thousands of US Dollars, and their maturity dates as of December 31, 2019, as adjusted to reflect the early termination of the Steamship Brokerage agreement on March 1, 2020.

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|  |  | **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) |  | $ | 280 |  |  | $ | 280 |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |
| Nordea Loan Agreement |  |  | 32,481 |  |  |  | 4,340 |  |  |  | 8,680 |  |  |  | 19,461 |  |  |  |  |  |
| Estimated Interest Payments on Loan Agreement (2) |  |  | 4,858 |  |  |  | 1,432 |  |  |  | 2,239 |  |  |  | 1,187 |  |  |  |  |  |
| Operating Leases - Office Rent Payments (3) |  |  | 213 |  |  |  | 77 |  |  |  | 134 |  |  |  | 2 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total |  | $ | 37,832 |  |  | $ | 6,129 |  |  | $ | 11,053 |  |  | $ | 20,650 |  |  | $ | - |  |

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|  | (1) | Our agreement with Steamship Shipbroking Enterprises Inc., dated April 1, 2019, originally due to expire on March 31, 2020, was early terminated on March 1, 2020. Please see “Item 6. Directors, Senior Management and Employees - B. Compensation” and “Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions” for more details. |

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|  | (2) | Estimated interest payments represent projected interest payments on our long-term debt, which are based on the weighted average LIBOR rate in 2019 plus the margin of our loan agreement in 2019. |

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|  | (3) | We pay rent for our offices in Athens, Greece, in Euro. The amounts presented in the table above have been denominated to USD with a rate of 1.124. |

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|  | ***G.*** | ***Safe Harbor*** |

See the section entitled “Forward-looking Statements” at the beginning of this annual report.

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| **Item 6.** | **Directors, Senior Management and Employees** |

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|  | ***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 and until his or her successor is elected and has qualified, except in the event of such director’s death, resignation, removal or the earlier termination of his or her term of office. Officers are appointed from time to time by our board of directors and hold office until a successor is elected.

On February 18, 2020, the re-election of Mr. Antonios Karavias and the election of Mr. Andreas Nikolaos Michalopoulos as Class I Directors was approved by the requisite vote at our 2020 Annual Meeting. Also effective February 18, 2020, Mr. Anastasios Margaronis, Mr. Nikolaos Petmezas and Mr. Ioannis Zafirakis have resigned from our board of directors due to other business commitments. Our board of directors has appointed Mr. Christos Glavanis and Mrs. Aliki Paliou to the board of directors, effective as of February 28, 2020, to fill the existing vacancies created by the resignations of Messrs Margaronis and Petmezas. Until February 18, 2020, all of our executive officers were also executive officers of Diana Shipping. Among our current board of directors, only Symeon Palios, our Chief Executive Officer and Chairman of the Board also serves as an executive officer of Diana Shipping, where he acts as Chief Executive Officer and Chairman of the Board of Diana Shipping.

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| **Name** | **Age** |  | **Position** |
| Symeon Palios | 78 |  | Class III Director, Chief Executive Officer and Chairman of the Board |
| Andreas Michalopoulos | 48 |  | Class I Director , Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary |
| Aliki Paliou | 45 |  | Class II Director |
| Giannakis (John) Evangelou | 75 |  | Class III Director |
| Antonios Karavias | 78 |  | Class I Director |
| Christos Glavanis | 66 |  | Class III Director |
| Reidar Brekke | 59 |  | Class II Director |

The term of the Class III directors expires in 2022, the term of the Class I directors expires in 2023 and the term of the Class II directors expires in 2021.

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 as of the date of this annual report 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. Since October 7, 2015, Mr. Palios has served as President of the Association “Friends of Biomedical Research Foundation, Academy of Athens.” He holds a bachelor’s degree in Marine Engineering from Durham University.

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**Andreas Michalopoulos** has served as our Deputy Chief Executive Officer since October 2019 and as our Chief Financial Officer and Treasurer since January 13, 2010. He served as Chief Financial Officer and Treasurer of Diana Shipping Inc. from March 2006 to February 2020, and he also served as a Director of Diana Shipping Inc. from August 2018 to February 2020. He 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 Aliki Paliou, who is also one of our Directors and daughter of Mr. Symeon Palios, our Chief Executive Officer and Chairman.

**Aliki Paliou** has served as a Director since February 2020. She has also served as Director, Vice-President and Treasurer of Unitized Ocean Transport Limited since January 2020. From 2010 to 2015 she was employed as a Director and Treasurer of Alpha Sigma Shipping Corp. Ms. Paliou studied Theatre Studies at the University of Kent in Canterbury, UK and obtained an M.A. in Scenography at Central Saint Martins School of Art and Design in London, UK. In 2005 she graduated with honors from the Greek School of Fine Art in Athens, Greece. She is the daughter of Symeon Palios, our Chief Executive Officer and Chairman, and is married to Andreas Michalopoulos, our Director, Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary.

**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 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 since the completion of the private offering. He also serves as a member of our Audit Committee and as a member of our Compensation Committee (where he was previously Chairman from April 2010 - February 2020). 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.

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**Christos Glavanis** has served as an independent Director and as Chairman of our Compensation Committee since February 2020. He also served as a Director of Diana Shipping Inc. from August 1, 2018 to February 19, 2020. Mr. Glavanis has over 30 years of experience in the audit profession, serving in several senior roles at Ernst & Young, including as Chairman and Managing Partner of EY Greece from 1987 to 2010 and Managing Partner of EY Southeast Europe from 1996 to 2010. Mr. Glavanis was also a main Board Member of EY EMEIA Regional and a member of EY Global Council. Currently, Mr. Glavanis is a non-executive board member of W S Karoulias S.A., a beverage distribution company based in Athens, Greece and BuyaPowa Ltd., a London, England based online platform allowing users to design, launch, and analyze social sales campaigns. He is also the trustee of Phase Worldwide, a United Kingdom charity. He previously served as a non-executive board member and chairman of the Audit Committee of Korres S.A, a Greece based cosmetics company, chairman of the Audit Committee of the Hellenic Financial Stability Fund, board member and audit committee member of Eurobank SA and a non-executive board member of Pharmaten S.A. Greece based pharmaceutical company.

**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 Partner of Brightstar Capital Partners, a private equity firm focused on investing in closely held, middle-market companies.  From 2012 – Sept 2018, he was President of Intermodal Holdings LP, a company investing in intermodal assets. In 2008 he started his own firm, 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 Scorpio Tankers Inc. (NYSE: STNG) and two privately-held companies involved in compact equipment sales and rentals and container rentals, sales and modifications.

Biographical information concerning certain directors and executive officers, who resigned from their director positions effective as of the date of the 2020 shareholder meeting and resigned from their executive officer position effective as of February 28, 2020 is set forth below.

**Anastasios Margaronis** served as our Director from January 13, 2010 through February 18, 2020 and as our President from January 13, 2010 to February 28, 2020. He has also served as Director and President of Diana Shipping Inc. since February 21, 2005. Mr. Margaronis is a Deputy President of Diana Shipping Services S.A., where he also serves as a Director and Secretary. Prior to February 21, 2005, Mr. Margaronis was employed by Diana Shipping Agencies S.A. and performed the services he now performs as President. He joined Diana Shipping Agencies S.A. in 1979 and has been responsible for overseeing our vessels' insurance matters, including hull and machinery, protection and indemnity, loss of hire and war risks insurances. Mr. Margaronis has had 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. 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. On February 18, 2020 Mr. Margaronis resigned as a Director and on February 28, 2020 Mr. Margaronis resigned as our President, due to other business commitments.

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**Ioannis Zafirakis** had served as our Director, Chief Strategy Officer and Secretary until February 2020. Under his capacity as Chief Strategy Officer, Mr. Zafirakis was responsible for establishing and reviewing key strategic priorities and translating them into a comprehensive strategic plan, monitoring the execution of the plan, facilitating and driving key strategic initiatives through inception phase. He was also responsible for communicating the Company's strategy and overall goals internally and externally.  He serves as Director, Interim Chief Financial Officer, Chief Strategy Officer, Treasurer and Secretary of Diana Shipping Inc. In addition, he is the Chief Strategy Officer of Diana Shipping Services S.A., where he also serves as Director and Treasurer. Since February 2005, Mr. Zafirakis served for the same companies in various positions such as Chief Operating Officer, Executive Vice-President and Vice-President. From June 1997 to February 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A. where he held a number of positions in its finance and accounting department. From January 2010 to November 2018 Mr. Zafirakis served as Director, Chief Operating Officer and Secretary of Performance Shipping Inc. Mr. Zafirakis is a member of the Business Advisory Committee of the Shipping Programs of ALBA Graduate Business School at The American College of Greece. 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. On February 18, 2020, Mr. Zafirakis resigned as a Director and on February 28, 2020, he resigned as our Chief Strategy Officer and Secretary, due to other business commitments.

**Nikolaos Petmezas** served as an independent Director and as a member of our Compensation Committee from the completion of our private offering in 2010 to February 18, 2020. 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. On February 18, 2020, Mr. Petmezas resigned as a Director due to other business commitments.

**Semiramis Paliou** served as Chief Operating Officer of Performance Shipping Inc. from November 2018 to February 2020. Mrs. Paliou has 20 years of experience in shipping operations, technical management and crewing. Mrs. Paliou began her career at Lloyd's Register of Shipping from 1996 to 1998 as a trainee ship surveyor. She was then employed by Diana Shipping Agencies S.A. From 2007 to 2010 she was employed as a Director and President of Alpha Sigma Shipping Corp. From February 2010 to November 2015 she was the Head of the Operations, Technical and Crew department of Diana Shipping Services S.A. From November 2015 to October 2016 she served as Vice President of the same company. Since March 2015, Mrs. Semiramis Paliou serves as a Director of Diana Shipping Inc. From November 2016 to the end of July 2018, she served as Managing Director and Head of the Technical, Operations, Crew and Supply department of Unitized Ocean Transport Limited. As of August 2018, she is the Chief Operating Officer of Diana Shipping Inc. and Diana Shipping Services S.A. Mrs. Paliou obtained her BSc in Mechanical Engineering from Imperial College, London and her MSc in Naval Architecture from University College, London. In 2016 she completed a course in Finance for Senior Executives at Harvard Business School. She is the daughter of Symeon Palios, our Chief Executive Officer and Chairman, and is a member of the Greek committee of Det Norske Veritas - Germanischer Lloyd, a member of the Greek committee of Nippon Kaiji Kyokai and a member of the Greek committee of Bureau Veritas. Since March 2018, Mrs. Paliou is on the Board of Directors of the Hellenic Marine Environment Protection Association. On February 28, 2020, Mrs. Paliou resigned as our Chief Operating Officer, due to other business commitments.

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|  | ***B.*** | ***Compensation*** |

Since June 1, 2010 and through March 1, 2020, the members of our senior management have been compensated through their affiliation with Steamship Shipbroking Enterprises Inc. (or Steamship), a related party controlled by our Chief Executive Officer and Chairman of the Board Mr. Symeon Palios, as described under “Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions.” Pursuant to the respective Broker Services Agreements, fees and bonuses payable to Steamship for brokerage services  provided to us in 2019, 2018 and 2017, amounted to $2.1 million, $2.1 million and $2.1 million, respectively. On March 1, 2020, we early terminated our Broker Services Agreement with Steamship, which was originally due to expire on March 31, 2020, at no cost.

In 2018, our board of directors approved an award of restricted common stock, which was proposed by our Compensation Committee, with an aggregate value of $5.0 million to our executive officers and non-executive directors, as a one-time special award, in recognition of the successful refinancing of the RBS loan in 2017, which resulted in a significant gain of $42.2 million, net of expenses. The number of restricted common shares was determined in February 2019, at which time an aggregate of 5,747,786 restricted common shares were issued, of which 4,915,863 shares were issued to our executive officers. One third of these shares vested on the issuance date and the remainder will vest ratably over two years from the issuance date. In 2017, our board of directors approved an award of restricted common stock with an aggregate value of $380,000 to our executive officers and non-executive directors. The number of restricted common shares was determined in February 2018, at which time an aggregate of 161,700 restricted common shares were issued, of which 138,296 shares were issued to our executive officers. One third of these shares vested on the issuance date and the remainder will vest ratably over two years from the issuance date.

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 annually. As noted above, in 2018, our board of directors approved an award of restricted common stock with an aggregate value of $5.0 million to our executive officers and non-executive directors. The number of restricted common shares was determined in February 2019, at which time an aggregate of 5,747,786 restricted common shares were issued, of which 831,923 shares were issued to our non-executive directors. Also, in 2017, our board of directors approved an award of restricted common stock with an aggregate value of $380,000 to our executive officers and non-executive directors. The number of restricted common shares was determined in February 2018, at which time an aggregate of 161,700 restricted common shares were issued, of which 23,404 shares were issued to our non-executive directors. One third of these shares vested on the issuance date and the remainder has vested ratably over two years from the issuance date. We do not have a retirement plan for our officers or directors. For 2019, 2018 and 2017, fees, bonuses and expenses to non-executive directors amounted to $0.3 million, $0.3 million and $0.3 million, respectively.

In 2019, 2018 and 2017, compensation costs relating to the aggregate amount of restricted stock awards amounted to $1.8 million, $1.6 million and $1.2 million, respectively.

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**2015 Equity Incentive Plan**

On May 5, 2015, we adopted an equity incentive plan, which we refer to as the 2015 Equity Incentive Plan, as amended from time to time, 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. The plan will expire ten years from its date of adoption unless terminated earlier by our board of directors. On February 9, 2018, our board of directors adopted Amendment No 1 to the 2015 Equity Incentive Plan, solely to increase the aggregate number of common shares issuable under the plan to 550,000 shares. As of the date of this annual report, we have issued 161,700 restricted shares under our 2015 Equity Incentive Plan, as amended, to our executive officers and non-executive directors and 388,300 remain available for issuance.

Upon adoption of the 2015 Equity Incentive Plan, we terminated the 2012 Amended and Restated Equity Incentive Plan, adopted on February 21, 2012, which included substantially the same terms and provisions as the 2015 Equity Incentive Plan. We refer to this prior plan as the 2012 Equity Incentive Plan.

The 2015 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 2015 Equity Incentive Plan, stock options and stock appreciation rights granted under the plan will have an exercise price per common share equal to the 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 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 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 issued pursuant to the plan, 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. 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.

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|  | ***C.*** | ***Board Practices*** |

***Actions by our Board of Directors***

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 our 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. Until February 2020, Mr. Antonios Karavias served as the Chairman of the Compensation Committee and Mr. Nikolaos Petmezas served as a member of our Compensation Committee, and since then, Mr. Christos Glavanis serves as the Chairman of the Compensation Committee and Mr. Antonios Karavias serves as a member of our Compensation Committee.

We have also established an Executive Committee, which is responsible for the overall management of our business. Until February 2020, our Executive Committee was comprised of three directors, Mr. Symeon Palios, our Chief Executive Officer and Chairman of the Board, Mr. Anastasios Margaronis, our President until February 2020, and Mr. Ioannis Zafirakis, our Chief Strategy Officer and Secretary until February 2020. Since February 2020, the Executive Committee is comprised of Mr. Symeon Palios, our Chief Executive Officer and Chairman of the Board, and Mr. Andreas Michalopoulos, our Director, Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary.

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.

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|  | ***D.*** | ***Employees*** |

We crew our vessels primarily with Greek and Filipino, and secondarily with Ukrainian and Romanian officers and seamen. We are responsible for identifying our Greek officers, which are hired by our in-house fleet manager on behalf of the vessel-owning subsidiaries. Our Filipino officers and seamen are referred to us by independent crewing agencies. The crewing agencies handle 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.

The following table presents the number of shoreside personnel employed by our in-house manager and the number of seafaring personnel employed by our vessel-owning subsidiaries as of December 31, 2019, 2018 and 2017:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **As of December 31, 2019** | **As of December 31, 2018** | **As of December 31, 2017** |
| Shoreside | 28 | 37 | 36 |
| Seafaring | 84 | 100 | 220 |
| **Total** | **112** | **137** | **256** |

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|  | ***E.*** | ***Share Ownership*** |

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

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| **Item 7.** | **Major Shareholders and Related Party Transactions** |

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|  | ***A.*** | ***Major Shareholders*** |

The following table sets forth current information regarding ownership of our common stock of which we are aware as of April 9, 2020, for (i) beneficial owners of five percent or more 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.

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As of April 9, 2020, we had 50,520,385 common shares issued and outstanding and the percentages of beneficial ownership reported below are based on these figures:

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| --- | --- | --- | --- |
|  | **Common Shares Beneficially Owned** | |  |
| **Identity of person or group** | **Number** | **Percentage** |  |
| Symeon Palios (1) | 23,436,446 | 46.39% |  |
| All officers and directors as a group (2) | 25,040,504 | 49.57% |  |

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|  | (1) | Mr. Symeon Palios indirectly may be deemed to beneficially own 23,436,446 shares beneficially owned by Steamship Shipbroking Enterprises Inc., through Taracan Investments S.A., as the result of his ability to control the vote and disposition of such entity. As of December 31, 2019, 2018, and 2017, Mr. Palios beneficially owned 47.81%, 0.22% and 0.00%, respectively, of our common shares. |

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|  | (2) | Mr. Symeon Palios is our only director that beneficially owns 5% or more of our outstanding common stock. Mr. Andreas Michalopoulos may be deemed to beneficially own 943,123 shares, or 1.87% of our outstanding common stock, beneficially owned through Mitzela Corp. All other officers and directors each own less than 1% of our outstanding common stock. |

As of December 31, 2019, 2018, and 2017, Diana Shipping owned 0% of our common stock. Diana Shipping acquired 100% of our Series C preferred voting stock on May 30, 2017 and on March 26, 2020 we re-purchased and cancelled all of the shares of our Series C Preferred Stock. See “Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions.”

As of April 9, 2020, we had 12 shareholders of record, 2 of which were located in the United States and held an aggregate of 24,255,190 of our common shares, representing 48.01% 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 24,099,676 of our common shares as of April 9, 2020. 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.

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|  | ***B.*** | ***Related Party Transactions*** |

**Steamship Shipbroking Enterprises Inc.**

Steamship Shipbroking Enterprises Inc., an affiliated entity controlled by our Chief Executive Officer and Chairman of the Board, Mr. Symeon Palios, provided us brokerage services for an annual fee pursuant to a Brokerage Services Agreement through March 1, 2020. In 2019, 2018 and 2017, brokerage fees and bonuses amounted to $2.1 million, $2.1 million and $2.1 million, respectively. The Brokerage Services Agreement dated April 1, 2019, originally due to expire on March 31, 2020, was early terminated on March 1, 2020, at no cost.

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**Diana Shipping Inc.**

**Non-Competition Agreement**

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  fleet manager, we amended and restated the initial non-competition agreement with Diana Shipping, where we agreed that, as long as any of our current or continuing executive officers also serves as an executive for Diana Shipping, 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.

**Loan Agreement and Series C Preferred Stock**

On May 20, 2013, we entered into a loan agreement of up to $50.0 million with Diana Shipping, which was subsequently amended on July 28, 2014, September 9, 2015 and September 12, 2016. The loan was further amended on May 30, 2017, in connection with the issuance of 100 shares of our newly-designated Series C Preferred Stock to Diana Shipping, in exchange for a reduction of $3.0 million in the principal amount of the loan. The Series C Preferred Stock had no dividend or liquidation rights. The Series C Preferred Stock voted with our common shares, and each share of the Series C Preferred Stock entitled the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates would not exceed 49.0% of the total number of votes eligible to be cast on all matters submitted to a vote of our stockholders.

On June 30, 2017, our loan with Diana Shipping was refinanced and replaced with a secured loan facility of $82.6 million, plus an additional $5.0 million interest-bearing discount premium. This loan facility was fully repaid during 2018 - Please see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Loan Facilities.”

On March 25, 2020 we agreed with DSI for the repurchase of all 100 shares of Series C Preferred Stock outstanding and on March 26, 2020, we paid the purchase price of $1.5 million. The disinterested members of our board of directors approved the re-purchase, after obtaining a fairness opinion from an independent third party that the transaction was fair from a financial point of view. We cancelled the Series C Preferred Stock upon the conclusion of the transaction on March 26, 2020.

**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 2019, 2018 and 2017, the expenses we incurred in exchange for travel services provided by Altair, amounted to $0.4 million, $0.6 million and $0.7 million, respectively. We believe that the amounts that we pay to Altair for acquiring tickets and other travel related services are no greater than fees we would pay to an unrelated third party for comparable services.

**Diana Wilhelmsen Management Limited**

In December 2019, we appointed Diana Wilhelmsen Management Limited, or DWM, to provide management services to the container vessels *Rotterdam* and *Domingo*. DWM was deemed a related party to us until the resignation of certain of the Company’s board of directors’ members and officers within February 2020, on the basis that members of our management and our board of directors also acted as board of directors’ members at DWM. For 2019, management fees to DWM amounted to $5,000.

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|  | ***C.*** | ***Interests Of Experts And Counsel*** |

Not applicable.

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| **Item 8.** | **Financial information** |

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|  | ***A.*** | ***Consolidated Statements and Other Financial Information*** |

See “Item 18. Financial Statements.”

***Legal Proceedings***

Between October 23, 2017 and December 15, 2017, three largely similar lawsuits were filed against the Company and three of its executive officers.  On October 23, 2017, a complaint captioned Jimmie O. Robinson v. Diana Containerships Inc., Case No. 2:17-cv-6160, was filed in the United States District Court for the Eastern District of New York (“Eastern District”).  The complaint is brought as a purported class action lawsuit on behalf of a putative class consisting of purchasers of common shares of the Company between January 26, 2017 and October 3, 2017.  On October 25, 2017, a complaint captioned Logan Little v. Diana Containerships Inc., Case No. 2:17-cv-6236, was filed in the Eastern District.  The complaint is brought as a purported class action lawsuit on behalf of a putative class consisting of purchasers of common shares of the Company between January 26, 2017 and October 3, 2017.  On December 15, 2017, a complaint captioned Emmanuel S. Austin v. Diana Containerships Inc., Case No. 2:17-cv-7329, was filed in the Eastern District.  The complaint is brought as a purported class action lawsuit on behalf of a putative class consisting of purchasers of common shares of the Company between June 9, 2016 and October 3, 2017.  The complaints name as defendants, among others, the Company and three of its executive officers.  The complaints assert claims under Sections 9, 10(b) and/or 20(a) of the Securities Exchange Act of 1934.  On April 30, 2018, the Court consolidated the three lawsuits into the first-filed Robinson lawsuit, appointed lead plaintiffs and approved lead plaintiffs’ selection of lead plaintiffs’ counsel.  On July 13, 2018, lead plaintiffs filed a consolidated amended complaint (superseding the three initial complaints).  On September 21, 2018, the defendants filed a motion to dismiss the lawsuit.  Briefing on that motion was concluded on November 30, 2018. The Company and its management believe that the complaints are without merit and plan to vigorously defend themselves against the claims.

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

***Dividend Policy***

Effective with the quarter ended June 30, 2016, our board of directors decided to suspend the quarterly cash dividend on our common shares.  While we have declared and paid cash dividends on our common shares in the past, we do not currently, and there can be no assurance that in the future our board of directors will approve the payment of dividends.

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In the future, assuming we are not legally restricted by our lenders from doing so and that our cash flows allow it, we might be in a position to declare and pay a variable quarterly dividend equal to available cash from operations during the previous quarter after cash payments for debt repayment and interest expense and reserves for the replacement of our vessels, 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. 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.

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. 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, our existing or future credit facilities may include restrictions on our ability to pay dividends.

The shipping sector is cyclical and volatile. We cannot predict with accuracy the amount of cash flows our operations will generate in any given period. Even if in the future we re-instate our dividend policy, our quarterly dividends, if any, will vary significantly from quarter to quarter as a result of variations in our operating performance, cash flow and other contingencies, and we cannot assure you that we will generate available cash for distribution in any quarter, and so we may not declare and pay any dividends in certain quarters, or at all. Our ability to resume payment of dividends will be subject to the limitations set forth above and in the section of this annual report titled “Item 3. Key Information – D. Risk Factors.”

In times when we have debt outstanding, we intend to limit our dividends per share, if dividend payment is reinstated, 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.

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|  | ***B.*** | ***Significant Changes*** |

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report, other than those described in “Note 14—Subsequent Events” of our annual consolidated financial statements.

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| **Item 9.** | **The Offer and Listing** |

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|  | ***A.*** | ***Offer and Listing Details*** |

Our common shares have traded on The Nasdaq Global Market since January 19, 2011, on The Nasdaq Global Select Market since January 2, 2013 and on The Nasdaq Capital Market since March 6, 2020. Our ticker symbol was “DCIX” through March 30, 2020, at which date it has changed to “PSHG.”

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|  | ***B.*** | ***Plan of Distribution*** |

Not Applicable.

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|  | ***C.*** | ***Markets*** |

Our common shares have traded on The Nasdaq Global Market since January 19, 2011, on The Nasdaq Global Select Market since January 2, 2013 and on The Nasdaq Capital Market since March 6, 2020. Our ticker symbol was “DCIX” through March 30, 2020, at which date it was changed to “PSHG.”

***D.***            ***Selling Shareholders***

Not Applicable.

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|  | ***E.*** | ***Dilution*** |

Not Applicable.

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|  | ***F.*** | ***Expenses of the Issue*** |

Not Applicable.

**Item 10.**      **Additional Information**

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|  | ***A.*** | ***Share capital*** |

Not Applicable.

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|  | ***B.*** | ***Memorandum and Articles of Association*** |

Our amended and restated articles of incorporation and bylaws were filed as exhibits 3.1 and 3.2, respectively, to our registration statement on Form F-4 (File No. 333-169974) filed with the SEC on October 15, 2010. The information contained in these exhibits is incorporated by reference herein.

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Our amended and restated articles of incorporation were amended on (i) June 8, 2016, in connection with our one-for-eight reverse stock split, (ii) July 3, 2017, in connection with our one-for-seven reverse stock split, (iii) July 25, 2017, in connection with our one-for-six reverse stock split, (iv) August 23, 2017, in connection with our one-for-seven reverse stock split, (v) September 22, 2017, in connection with our one-for-three reverse stock split, and (vi) November 1, 2017, in connection with our one-for-seven reverse stock split. Copies of these articles of amendment to the amended and restated articles of incorporation of the Company were filed as exhibit 3.1 to our reports on Form 6-K filed with the SEC on June 9, 2016, July 6, 2017, July 28, 2017, August 28, 2017, September 26, 2017, and November 3, 2017, respectively. The information contained in these exhibits is incorporated by reference herein. Additionally, (i) on March 21, 2017, we filed a Statement of Designations, Preferences and Rights of our Series B-1 Convertible Preferred Stock, (ii) on March 21, 2017, we filed a Statement of Designations, Preferences and Rights of our Series B-2 Convertible Preferred Stock, and (iii) on May 30, 2017, we filed a Statement of Designations of Rights, Preferences and Privileges of our Series C Preferred Stock. Our amended and restated articles of incorporation were further amended on February 25, 2019, in connection with our name change from Diana Containerships Inc. to Performance Shipping Inc. A copy of these articles of amendment to the amended and restated articles of incorporation is filed as an exhibit to this annual report and the information contained in such 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 “Description of Securities,” attached hereto as Exhibit 2.7 and incorporated by reference herein.

**Description of Common Stock**

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of our preferred shares having liquidation preferences, if any, the holders of our common shares will be entitled to receive pro rata our remaining assets available for distribution. Holders of our common shares do not have conversion, redemption or preemptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of common shares are subject to the rights of the holders of our preferred shares, including our existing classes of preferred shares and any preferred shares we may issue in the future.

**Description of Preferred Stock**

Our amended and restated articles of incorporation authorize our board of directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including the designation of the series; the number of shares of the series; the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and the voting rights, if any, of the holders of the series.

**Amended and Restated Stockholders Rights Agreement**

On August 29, 2016, we entered into a First Amended and Restated Stockholders Rights Agreement, or the Rights Agreement, with Computershare Inc. as Rights Agent. The Rights Agreement amended and restated in its entirety the original Stockholders Rights Agreement between the Company and Mellon Investor Services LLC, dated as of August 2, 2010, as amended on July 28, 2014. Pursuant to the Rights Agreement, each share of our common stock includes one right, or a Right, that entitles the holder to purchase from us a unit consisting of one one-thousandth of a share of our Series A Participating Preferred Stock at an exercise price of $50.00, subject to specified adjustments. The Rights will separate from the common stock and become exercisable only if a person or group acquires beneficial ownership of 15% or more of our common stock in a transaction not approved by our board of directors.  In that situation, each holder of a Right (other than the acquiring person, whose Rights will become void and will not be exercisable) will have the right to purchase, upon payment of the exercise price, a number of shares of our common stock having a then-current market value equal to twice the exercise price. In addition, if we are acquired in a merger or other business combination after an acquiring person acquires 15% or more of our common stock, each holder of the Right will thereafter have the right to purchase, upon payment of the exercise price, a number of shares of common stock of the acquiring person having a then-current market value equal to twice the exercise price.  The acquiring person will not be entitled to exercise these Rights. Under the Stockholders Rights Agreement's terms, it will expire on August 2, 2020.  In June 2019, we entered into Amendment No. 1 to the First Amended and Restated Shareholders Rights Agreement, to amend the definition of “Acquiring Person” set out in the Rights Agreement.

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A copy of the Stockholders Rights Agreement is filed as Exhibit 4.1 to our report on Form 6-K filed with the SEC on August 31, 2016.

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|  | ***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 we 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 2015 Equity Incentive Plan.

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|  | ***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 securities.

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|  | ***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, of 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, persons required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an “applicable financial statement”, persons subject to the “base erosion and anti-avoidance” tax 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.

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**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:

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|  | • | 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 |

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|  | • | 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.

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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, such as being traded and quoted on the Nasdaq Global Select Market.

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 SEC, 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.

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Based on Schedules 13D and 13G filings, during the 2019 taxable year, less than 50% of the Company’s common stock was owned by 5% Shareholders. Therefore, the Company believes that it is not subject to the 5% Override Rule and thus has satisfied the Publicly Traded Test for the 2019 taxable year. However, there can be no assurance that the Company will continue to satisfy the Publicly Traded Test in future taxable years. For example, the Company could be subject to the 5% Override Rule if another 5% Shareholder in combination with the Company’s existing 5% Shareholders were to own 50% or more of the Company’s common stock. In such a case, the Company would be subject to the 5% Override Rule unless it could establish that, among the shares of the common stock owned by the 5% Shareholders, sufficient shares are owned by qualified shareholders, for purposes of Section 883 of the Code, to preclude non-qualified shareholders from owning 50% or more of the Company’s common stock for more than half the number of days during the taxable year. The requirements of establishing this exception to the 5% Override Rule are onerous and there is no assurance the Company will be able to satisfy them.

Based on the foregoing, the Company believes that it satisfied the Publicly Traded Test and therefore believes that it was exempt from U.S. federal income tax under Section 883 of the Code, during the 2019 taxable year, and intends to take this position on its 2019 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 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 a rate of 21%. By statutory exclusion, the benefits of the section 883 exemption are not available to income that is “effectively connected” with the conduct of a U.S. trade or business. 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:

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

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|  | • | 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.

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***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.

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***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:

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|  | • | 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 |

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|  | • | 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.

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***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:

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

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

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|  | • | 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. |

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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:

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|  | • | 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 |

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|  | • | 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:

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|  | • | fail to provide an accurate taxpayer identification number; |

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|  | • | 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 |

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|  | • | in certain circumstances, fail to comply with applicable certification requirements. |

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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.

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|  | ***F.*** | ***Dividends and paying agents*** |

Not Applicable.

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|  | ***G.*** | ***Statement by experts*** |

Not Applicable.

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|  | ***H.*** | ***Documents on display*** |

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, are available from the SEC’s website http://www.sec.gov.

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|  | ***I.*** | ***Subsidiary information*** |

Not Applicable.

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| **Item 11.** | **Quantitative and Qualitative Disclosures about Market Risk** |

**Interest Rates**

We are exposed to market risks associated with changes in interest rates relating to our loan facility, according to which we pay interest at LIBOR plus a margin; and as such increases in interest rates could affect our results of operations. An average increase of 1% in 2019 interest rates would have resulted in interest expenses of $0.5 million, instead of $0.4 million, an increase of about 25%.

As of December 31, 2019, we had $32.5 million of debt outstanding. 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. Global financial markets and economic conditions have been, and continue to be, volatile. Specifically, due to the COVID-19 outbreak, credit markets and the debt and equity capital markets have been distressed, and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing.

As of December 31, 2019, 2018 and 2017 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

**Currency and Exchange Rates**

We generate all of our revenues in U.S. dollars, but currently incur a significant portion of our operating expenses (around 35% in 2019 and 40% in 2018) and of our general and administrative expenses (around 41% in 2019 and 37% in 2018) 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.

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**PART II**

**Item 13.**      **Defaults, Dividend Arrearages and Delinquencies**

None.

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

Pursuant to the Stockholders Rights Agreement dated August 29, 2016, as amended in June 2019, each share of our common stock includes one preferred stock purchase right that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our Series A Participating Preferred Stock if any third-party acquires beneficial ownership of 15% or more of our common stock without the approval of our board of directors. See “Item 10.B—Memorandum and Articles of Association—Amended and Restated Stockholders Rights Agreement.”

**Item 15.**      **Controls and Procedures**

**a) Disclosure Controls and Procedures**

Management, including our Chief Executive Officer and our Deputy 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 our Deputy 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 us in the reports that we file or submit 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. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and our Deputy Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. GAAP.

Management has conducted an assessment of the effectiveness of our 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 our internal control over financial reporting as of December 31, 2019 is effective.

**c)  Attestation Report of Independent Registered Public Accounting Firm**

Not applicable.

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**d) Changes in Internal Control over Financial Reporting**

None.

**Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and our Deputy Chief Executive Officer and 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 our 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.pshipping.com, under “About Us—Code of Ethics.”  Copies of our Code of Ethics are available in print, free of charge, upon request to Performance Shipping 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.

In 2019 and 2018, audit fees amounted to Euro 68,250 or about $77,000 and Euro 94,500 or about $108,000, respectively, and relate to audit services provided in connection with the audit and AS 4105 interim reviews of our consolidated financial statements.

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**b)  Audit-Related Fees**

None

**c)  Tax Fees**

No tax fees were incurred in 2019 and 2018.

**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**

On January 14, 2020, we announced that our board of directors authorized a share repurchase program to purchase up to an aggregate of $6.0 million of our common shares. The timing and amount of the repurchases are determined by our management team and depend on market conditions, capital allocation alternatives, applicable securities laws, and other factors. Our board of directors’ authorization of the repurchase program will expire on December 21, 2020. We cancel the common shares repurchased as part of this program.

In January 2020, we repurchased 46,706 common shares having an aggregate gross value of $38,000, and cancelled them.

In February 2020, we repurchased 406,062 common shares having an aggregate gross value of $327,000, and cancelled them.

Also, on March 23, 2020, the disinterested members of our board of directors approved the repurchase of all 100 shares of our Series C Preferred Stock outstanding, held by Diana Shipping since 2017, for a purchase price of $1.5 million. The disinterested members of our board of directors had previously received a fairness opinion from an independent third party that the transaction was fair from a financial point of view. On March 25, 2020, we agreed with DSI for the repurchase of the shares and on March 26, 2020, we paid the purchase price of $1.5 million and cancelled all of the shares of our Series C Preferred Stock upon the conclusion of the transaction.

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On April 6, 2020, our board of directors approved the repurchase of all 400 outstanding Series B-2 Preferred Shares, for a purchase price of $400,000. On April 7, 2020, we entered into an agreement with Kalani and repurchased and cancelled all of our outstanding Series B-2 convertible preferred stock.

**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:

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|  | • | 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; |

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|  | • | 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; |

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|  | • | As a foreign private issuer, we are not required to hold regularly scheduled board meetings at which only independent directors are present; |

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|  | • | 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; |

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|  | • | 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.

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**PART III**

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| **Item 17.** | **Financial Statements** |

See Item 18.

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| **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.

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| **Item 19.** | **Exhibits** |

**(a)           Exhibits**

|  |  |
| --- | --- |
| **Exhibit**  **Number** | **Description** |
| 1.1 | Amended and Restated Articles of Incorporation of the Company (1) |
| 1.2 | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated June 8, 2016 (2) |
| 1.3 | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated June 30, 2017 (3) |
| 1.4 | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated July 26, 2017 (4) |
| 1.5 | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated August 23, 2017 (5) |
| 1.6 | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated September 22, 2017 (6) |
| 1.7 | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated November 1, 2017 (7) |
| 1.8 | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated February 25, 2019(8) |
| 1.9 | Amended and Restated Bylaws of the Company (9) |
| 2.1 | Form of Common Share Certificate (10) |
| 2.3 | Statement of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Performance Shipping Inc., dated August 2, 2010 (11) |
| 2.7 | Description of Securities \*\* |
| 4.1 | Registration Rights Agreement dated April 6, 2010 (12) |
| 4.2 | Amended and Restated Stockholders Rights Agreement, dated August 29, 2016 (13) |
| 4.3 | Amendment No. 1 to the First Amended and Restated Shareholders Rights Agreement dated June 11, 2019 (14) |
| 4.4 | 2015 Equity Incentive Plan (15) |
| 4.5 | Administrative Services Agreement with UOT (16) |
| 4.6 | Form of Vessel Management Agreement with UOT (17) |
| 4.7 | Amended and Restated Non-Competition Agreement with Diana Shipping Inc. (18) |

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| 4.8 | Amendment No. 1 to 2015 Equity Incentive Plan, dated February 9, 2018 (19) |
| 4.11 | Second Amendment and Restatement to Loan Agreement with Nordea Bank Abp, Filial i Norge, dated March 20, 2020 \*\* |
| 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 Performance Shipping Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2019, formatted in Extensible Business Reporting Language (XBRL): (1) Consolidated Balance Sheets as of December 31, 2019 and 2018; (2) Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017; (3) Consolidated Statements of Comprehensive Income / (Loss) for the years ended December 31, 2019, 2018 and 2017; (4) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017; (5) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017; 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 3.3 to the Company’s report on Form 6-K, filed with the SEC on June 9, 2016.

(3) Filed as Exhibit 3.1 to the Company’s report on Form 6-K, filed with the SEC on July 6, 2017.

(4) Filed as Exhibit 3.1 to the Company’s report on Form 6-K, filed with the SEC on July 28, 2017.

(5) Filed as Exhibit 3.1 to the Company’s report on Form 6-K, filed with the SEC on August 28, 2017.

(6) Filed as Exhibit 3.1 to the Company’s report on Form 6-K, filed with the SEC on September 26, 2017.

(7) Filed as Exhibit 3.1 to the Company’s report on Form 6-K, filed with the SEC on November 3, 2017.

(8) Filed as Exhibit 1.8 to the Company's Annual Report on Form 20-F on March 18, 2019.

(9) Filed as Exhibit 3.2 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.

(10) Filed as Exhibit 4.1 to the Company’s report on Form 6-K, filed with the SEC on November 3, 2017.

(11) Filed as Exhibit 4.4 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.

(12) Filed as Exhibit 4.2 to the Company's Registration Statement on Form F-4 (File No. 333-169974) on October 15, 2010.

(13) Filed as Exhibit 4.1 to the Company’s report on Form 6-K, filed with the SEC on August 31, 2016.

(14) Filed as Exhibit 4.1 to the Company’s report on Form 6-K, filed with the SEC on June 21, 2019.

(15) Filed as Exhibit 4.5 to the Company's Annual Report on Form 20-F on March 21, 2016.

(16) Filed as Exhibit 4.8 to the Company's Annual Report on Form 20-F on March 26, 2014.

(17) Filed as Exhibit 4.11 to the Company's Annual Report on Form 20-F on March 26, 2014.

(18) Filed as Exhibit 4.12 to the Company's Annual Report on Form 20-F on March 26, 2014.

(19) Filed as Exhibit 1 to the Company’s report on Form 6-K, filed with the SEC on February 15, 2018.

\*\* Filed herewith.

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**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.

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|  | PERFORMANCE SHIPPING INC. | |  |
|  |  |  |  |
|  | By: | /s/ Andreas Michalopoulos |  |
|  |  | Andreas Michalopoulos |  |
| Director, Deputy Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary | | | |

Dated: April 10, 2020

PERFORMANCE SHIPPING INC.

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**Report of Independent Registered Public Accounting Firm**

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Performance Shipping Inc. (the Company) as of December 31, 2019 and 2018, 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, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

**Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

We have served as the Company’s auditor since 2010.

Athens, Greece

April 10, 2020

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PERFORMANCE SHIPPING INC.** | | | |  |  |  | |  |
| Consolidated Balance Sheets as at December 31, 2019 and 2018 | | | |  |  |  | |  |
| (Expressed in thousands of U.S. Dollars, except for share and per share data) | | | |  |  |  | |  |
|  |  |  | |  |  |  | |  |
| **ASSETS** |  | **December 31, 2019** | |  |  | **December 31, 2018** | |  |
| **CURRENT ASSETS:** |  |  | |  |  |  | |  |
| Cash and cash equivalents |  | $ | 26,363 |  |  | $ | 10,493 |  |
| Accounts receivable, trade |  |  | 4,685 |  |  |  | 110 |  |
| Deferred voyage expenses |  |  | 69 |  |  |  | - |  |
| Inventories |  |  | 2,847 |  |  |  | 634 |  |
| Prepaid expenses and other assets |  |  | 1,400 |  |  |  | 743 |  |
| **Total current assets** |  |  | 35,364 |  |  |  | 11,980 |  |
|  |  |  |  |  |  |  |  |  |
| **FIXED ASSETS:** |  |  |  |  |  |  |  |  |
| Advances for vessel acquisitions and other vessels' costs (Note 4) |  |  | 11,017 |  |  |  | - |  |
| Vessels, net (Note 5) |  |  | 82,871 |  |  |  | 85,870 |  |
| Property and equipment, net |  |  | 993 |  |  |  | 998 |  |
| **Total fixed assets** |  |  | 94,881 |  |  |  | 86,868 |  |
|  |  |  |  |  |  |  |  |  |
| Right of use asset under operating leases (Note 7) |  |  | 190 |  |  |  | - |  |
| Deferred charges, net |  |  | 134 |  |  |  | 1,238 |  |
| **Total assets** |  | $ | 130,569 |  |  | $ | 100,086 |  |
|  |  |  |  |  |  |  |  |  |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **CURRENT LIABILITIES:** |  |  |  |  |  |  |  |  |
| Current portion of long-term debt, net of unamortized deferred financing costs (Note 6) |  | $ | 4,282 |  |  | $ | - |  |
| Accounts payable, trade and other |  |  | 1,972 |  |  |  | 1,192 |  |
| Due to related parties (Note 3) |  |  | 8 |  |  |  | 4 |  |
| Accrued liabilities |  |  | 1,732 |  |  |  | 1,360 |  |
| Deferred revenue |  |  | - |  |  |  | 305 |  |
| Lease liabilities, current (Note 7) |  |  | 72 |  |  |  | - |  |
| **Total current liabilities** |  |  | 8,066 |  |  |  | 2,861 |  |
|  |  |  |  |  |  |  |  |  |
| Long-term debt, net of unamortized deferred financing costs (Note 6) |  |  | 28,001 |  |  |  | - |  |
| Other liabilities, non-current |  |  | 146 |  |  |  | 1,649 |  |
| Long-term lease liabilities (Note 7) |  |  | 118 |  |  |  | - |  |
| Commitments and contingencies (Note 7) |  |  | - |  |  |  | - |  |
|  |  |  |  |  |  |  |  |  |
| **STOCKHOLDERS' EQUITY:** |  |  |  |  |  |  |  |  |
| Preferred stock, $0.01 par value; 25,000,000 shares authorized, 1,600 and 350 issued  and outstanding as at December 31, 2019 and 2018, respectively (Note 8) |  |  | - |  |  |  | - |  |
| Common stock, $0.01 par value; 500,000,000 shares authorized; 49,021,001 and 1  4,463,231 issued and outstanding as at December 31, 2019 and 2018, respectively  (Note 8) |  |  | 489 |  |  |  | 143 |  |
| Additional paid-in capital (Note 8) |  |  | 458,888 |  |  |  | 428,527 |  |
| Other comprehensive income |  |  | 69 |  |  |  | 57 |  |
| Accumulated deficit |  |  | (365,208 | ) |  |  | (333,151 | ) |
| **Total stockholders' equity** |  |  | 94,238 |  |  |  | 95,576 |  |
| **Total liabilities and stockholders' equity** |  | $ | 130,569 |  |  | $ | 100,086 |  |
|  |  |  |  |  |  |  |  |  |
| The accompanying notes are an integral part of these consolidated financial statements. | | | | | | | |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PERFORMANCE SHIPPING INC.** |  |  | |  |  |  | |  |  |  | |  |
| Consolidated Statements of Operations | | | | | | | |  |  |  | |  |
| For the years ended December 31, 2019, 2018 and 2017 | | | | | | | |  |  |  | |  |
| (Expressed in thousands of U.S. Dollars – except for share and per share data) | | | | | | | |  |  |  | |  |
|  |  |  | |  |  |  | |  |  |  | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |
| **REVENUES:** |  |  | |  |  |  | |  |  |  | |  |
| Voyage and time charter revenues (Note 1) |  | $ | 26,846 |  |  | $ | 25,566 |  |  | $ | 23,806 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **EXPENSES:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Voyage expenses |  |  | 3,447 |  |  |  | 1,267 |  |  |  | 1,702 |  |
| Vessel operating expenses |  |  | 11,321 |  |  |  | 15,453 |  |  |  | 22,732 |  |
| Depreciation and amortization of deferred charges (Note 5) |  |  | 3,684 |  |  |  | 4,945 |  |  |  | 8,147 |  |
| Management fees (Notes 1 and 3) |  |  | 147 |  |  |  | - |  |  |  | - |  |
| General and administrative expenses (Notes 3 and 8) |  |  | 8,162 |  |  |  | 8,030 |  |  |  | 8,366 |  |
| Impairment losses (Note 5) |  |  | 31,629 |  |  |  | 20,654 |  |  |  | 8,363 |  |
| Loss / (Gain) on vessels' sale (Note 5) |  |  | 127 |  |  |  | 16,700 |  |  |  | (945 | ) |
| Foreign currency (gains) / losses |  |  | (7 | ) |  |  | (44 | ) |  |  | 51 |  |
| **Operating loss** |  | $ | (31,664 | ) |  | $ | (41,439 | ) |  | $ | (24,610 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **OTHER INCOME / (EXPENSES)** |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest and finance costs (Note 9) |  |  | (651 | ) |  |  | (11,520 | ) |  |  | (13,843 | ) |
| Interest income |  |  | 258 |  |  |  | 64 |  |  |  | 87 |  |
| Gain from bank debt write off |  |  | - |  |  |  | - |  |  |  | 42,185 |  |
| **Total other income / (expenses), net** |  | $ | (393 | ) |  | $ | (11,456 | ) |  | $ | 28,429 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net income / (loss)** |  | $ | (32,057 | ) |  | $ | (52,895 | ) |  | $ | 3,819 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Earnings / (Loss) per common share, basic and diluted (Note 10)** |  | $ | (1.12 | ) |  | $ | (5.60 | ) |  | $ | 8.94 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Weighted average number of common shares, basic (Note 10)** |  |  | 28,646,763 |  |  |  | 9,450,555 |  |  |  | 427,333 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Weighted average number of common shares, diluted (Note 10)** |  |  | 28,646,763 |  |  |  | 9,450,555 |  |  |  | 427,361 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PERFORMANCE SHIPPING INC.** |  |  | |  |  |  | |  |  |  | |  |
| Consolidated Statements of Comprehensive Income / (Loss) | | | | | | | |  |  |  | |  |
| For the years ended December 31, 2019, 2018 and 2017 | | | | | | | |  |  |  | |  |
| (Expressed in thousands of U.S. Dollars) | | | | | | | |  |  |  | |  |
|  |  |  | |  |  |  | |  |  |  | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |
| **Net income / (loss)** |  | $ | (32,057 | ) |  | $ | (52,895 | ) |  | $ | 3,819 |  |
| Other comprehensive income (Actuarial gain) |  |  | 12 |  |  |  | 51 |  |  |  | 26 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Comprehensive income / (loss)** |  | $ | (32,045 | ) |  | $ | (52,844 | ) |  | $ | 3,845 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| The accompanying notes are an integral part of these consolidated financial statements. | | | | | | | |  |  |  |  |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PERFORMANCE SHIPPING INC.** | | | | | | | | | | | | | | | | | | | |  |  |  | |  |  |  | |  |  |  | |  |
| Consolidated Statements of Stockholders' Equity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |
| For the years ended December 31, 2019, 2018 and 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |
| (Expressed in thousands of U.S. Dollars – except for share and per share data) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  | **Common Stock** | | | | | |  |  | **Preferred Stock** | | | | | |  |  | **Additional** | |  |  | **Other** | |  |  |  | |  |  |  | |  |
|  |  | **# of** | |  |  | **Par** | |  |  | **# of** | |  |  | **Par** | |  |  | **Paid-in** | |  |  | **Comprehensive** | |  |  | **Accumulated** | |  |  |  | |  |
|  |  | **Shares** | |  |  | **Value** | |  |  | **Shares** | |  |  | **Value** | |  |  | **Capital** | |  |  | **Income / (Loss)** | |  |  | **Deficit** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Balance, December 31, 2016** |  |  | 1,533 |  |  | $ | - |  |  |  | - |  |  | $ | - |  |  | $ | 374,975 |  |  | $ | (20 | ) |  | $ | (284,075 | ) |  | $ | 90,880 |  |
| - Net income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 3,819 |  |  |  | 3,819 |  |
| - Issuance of Series B preferred stock, net of expenses |  |  | - |  |  |  | - |  |  |  | 32,500 |  |  |  | - |  |  |  | 31,989 |  |  |  | - |  |  |  | - |  |  |  | 31,989 |  |
| - Conversion of Series B preferred stock to common stock |  |  | 4,049,733 |  |  |  | 40 |  |  |  | (32,211 | ) |  |  | - |  |  |  | (40 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| - Issuance of Series C preferred stock (Notes 3 and 8) |  |  | - |  |  |  | - |  |  |  | 100 |  |  |  | - |  |  |  | 3,000 |  |  |  | - |  |  |  | - |  |  |  | 3,000 |  |
| - Compensation cost on restricted stock (Note 8) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 1,058 |  |  |  | - |  |  |  | - |  |  |  | 1,058 |  |
| - Actuarial gain |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 26 |  |  |  | - |  |  |  | 26 |  |
| **Balance, December 31, 2017** |  |  | 4,051,266 |  |  | $ | 40 |  |  |  | 389 |  |  | $ | - |  |  | $ | 410,982 |  |  | $ | 6 |  |  | $ | (280,256 | ) |  | $ | 130,772 |  |
| - Net loss |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (52,895 | ) |  |  | (52,895 | ) |
| - Issuance of Series B preferred stock, net of expenses |  |  | - |  |  |  | - |  |  |  | 17,490 |  |  |  | - |  |  |  | 17,413 |  |  |  | - |  |  |  | - |  |  |  | 17,413 |  |
| - Conversion of Series B preferred stock to common stock |  |  | 10,250,265 |  |  |  | 102 |  |  |  | (17,529 | ) |  |  | - |  |  |  | (102 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| - Issuance of restricted stock and compensation cost on restricted stock (Note 8) |  |  | 161,700 |  |  |  | 1 |  |  |  | - |  |  |  | - |  |  |  | 234 |  |  |  | - |  |  |  | - |  |  |  | 235 |  |
| - Actuarial gain |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 51 |  |  |  | - |  |  |  | 51 |  |
| **Balance, December 31, 2018** |  |  | 14,463,231 |  |  | $ | 143 |  |  |  | 350 |  |  | $ | - |  |  | $ | 428,527 |  |  | $ | 57 |  |  | $ | (333,151 | ) |  | $ | 95,576 |  |
| - Net loss |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (32,057 | ) |  |  | (32,057 | ) |
| - Issuance of Series B preferred stock, net of expenses (Note 8) |  |  | - |  |  |  | - |  |  |  | 6,470 |  |  |  | - |  |  |  | 6,452 |  |  |  | - |  |  |  | - |  |  |  | 6,452 |  |
| - Conversion of Series B preferred stock to common stock (Note 8) |  |  | 7,100,510 |  |  |  | 71 |  |  |  | (5,220 | ) |  |  | - |  |  |  | (71 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| - Issuance of restricted stock and compensation cost on restricted stock (Note 8) |  |  | 5,747,786 |  |  |  | 58 |  |  |  | - |  |  |  | - |  |  |  | 3,197 |  |  |  | - |  |  |  | - |  |  |  | 3,255 |  |
| - Issuance of common stock in exchange for entities acquisition (Note 3) |  |  | 21,709,474 |  |  |  | 217 |  |  |  | - |  |  |  | - |  |  |  | 20,783 |  |  |  | - |  |  |  | - |  |  |  | 21,000 |  |
| - Actuarial gain |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 12 |  |  |  | - |  |  |  | 12 |  |
| **Balance, December 31, 2019** |  |  | 49,021,001 |  |  | $ | 489 |  |  |  | 1,600 |  |  | $ | - |  |  | $ | 458,888 |  |  | $ | 69 |  |  | $ | (365,208 | ) |  | $ | 94,238 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| The accompanying notes are an integral part of these consolidated financial statements. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PERFORMANCE SHIPPING INC.** |  |  | |  |  |  | |  |  |  | |  |
| Consolidated Statements of Cash Flows | | | | | | | |  |  |  | |  |
| For the years ended December 31, 2019, 2018 and 2017 | | | | | | | |  |  |  | |  |
| (Expressed in thousands of U.S. Dollars) | | | | | | | |  |  |  | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |
| **Cash Flows used in Operating Activities:** |  |  | |  |  |  | |  |  |  | |  |
| Net income /(loss) |  | $ | (32,057 | ) |  | $ | (52,895 | ) |  | $ | 3,819 |  |
| Adjustments to reconcile net income/(loss) to net cash used in operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |
| Depreciation and amortization of deferred charges (Note 5) |  |  | 3,684 |  |  |  | 4,945 |  |  |  | 8,147 |  |
| Amortization of deferred financing costs |  |  | 154 |  |  |  | 176 |  |  |  | 322 |  |
| Amortization of discount premium |  |  | - |  |  |  | 8,990 |  |  |  | 6,010 |  |
| Impairment losses (Note 5) |  |  | 31,629 |  |  |  | 20,654 |  |  |  | 8,363 |  |
| Loss / (Gain) on vessels' sale |  |  | 127 |  |  |  | 16,700 |  |  |  | (945 | ) |
| Compensation cost on restricted stock awards (Note 8) |  |  | 1,791 |  |  |  | 1,587 |  |  |  | 1,171 |  |
| Right of use asset under operating leases |  |  | (190 | ) |  |  | - |  |  |  | - |  |
| Lease liabilities under operating leases |  |  | 190 |  |  |  | - |  |  |  | - |  |
| Gain from bank debt write off |  |  | - |  |  |  | - |  |  |  | (42,185 | ) |
| Actuarial gain |  |  | 12 |  |  |  | 51 |  |  |  | 26 |  |
| (Increase) / Decrease in: |  |  |  |  |  |  |  |  |  |  |  |  |
| Accounts receivable, trade |  |  | (4,575 | ) |  |  | 318 |  |  |  | 43 |  |
| Deferred voyage expenses |  |  | (69 | ) |  |  | - |  |  |  | - |  |
| Inventories |  |  | (2,213 | ) |  |  | 1,033 |  |  |  | 914 |  |
| Prepaid expenses and other assets |  |  | (3,488 | ) |  |  | (32 | ) |  |  | 639 |  |
| Increase / (Decrease) in: |  |  |  |  |  |  |  |  |  |  |  |  |
| Accounts payable, trade and other |  |  | 780 |  |  |  | (455 | ) |  |  | 175 |  |
| Due to related parties |  |  | 4 |  |  |  | (61 | ) |  |  | (40 | ) |
| Accrued liabilities |  |  | 372 |  |  |  | (685 | ) |  |  | 995 |  |
| Deferred liabilities |  |  | (305 | ) |  |  | (134 | ) |  |  | 331 |  |
| Other liabilities, non current |  |  | (40 | ) |  |  | (22 | ) |  |  | 36 |  |
| Drydock costs |  |  | - |  |  |  | (500 | ) |  |  | (474 | ) |
| **Net Cash used in Operating Activities** |  | $ | (4,194 | ) |  | $ | (330 | ) |  | $ | (12,653 | ) |
| **Cash Flows provided by / (used in) Investing Activities:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Advances for vessel acquisitions and other vessel costs (Note 4) |  |  | (17 | ) |  |  | - |  |  |  | - |  |
| Vessel acquisitions and other vessels' costs (Note 5) |  |  | (50,161 | ) |  |  | - |  |  |  | - |  |
| Proceeds from sale of vessels, net of expenses (Note 5) |  |  | 28,868 |  |  |  | 92,905 |  |  |  | 5,895 |  |
| Property and equipment additions |  |  | (38 | ) |  |  | (126 | ) |  |  | (15 | ) |
| Insurance settlements |  |  | 2,831 |  |  |  | 372 |  |  |  | 785 |  |
| **Net Cash provided by / (used in) Investing Activities** |  | $ | (18,517 | ) |  | $ | 93,151 |  |  | $ | 6,665 |  |
| **Cash Flows provided by / (used in) Financing Activities:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Proceeds from related party loans |  |  | - |  |  |  | - |  |  |  | 40,000 |  |
| Proceeds from unrelated party loans (Note 6) |  |  | 33,000 |  |  |  | - |  |  |  | 35,000 |  |
| Repayments of related party loans (Note 3) |  |  | - |  |  |  | (87,617 | ) |  |  | - |  |
| Repayments of unrelated parties' loans |  |  | (519 | ) |  |  | (18,500 | ) |  |  | (111,500 | ) |
| Issuance of preferred stock, net of expenses (Note 8) |  |  | 6,452 |  |  |  | 17,413 |  |  |  | 31,989 |  |
| Payments of equity issuance costs and financing costs |  |  | (352 | ) |  |  | (68 | ) |  |  | (373 | ) |
| **Net Cash provided by / (used in) Financing Activities** |  | $ | 38,581 |  |  | $ | (88,772 | ) |  | $ | (4,884 | ) |
| **Net increase / (decrease) in cash, cash equivalents and restricted cash** |  | $ | 15,870 |  |  | $ | 4,049 |  |  | $ | (10,872 | ) |
| Cash, cash equivalents and restricted cash at beginning of the year |  | $ | 10,493 |  |  | $ | 6,444 |  |  | $ | 17,316 |  |
| **Cash, cash equivalents and restricted cash at end of the year** |  | $ | 26,363 |  |  | $ | 10,493 |  |  | $ | 6,444 |  |
| **RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH** |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents at the end of the year |  | $ | 26,363 |  |  | $ | 10,493 |  |  | $ | 6,444 |  |
| Restricted cash at the end of the year |  |  | - |  |  |  | - |  |  |  | - |  |
| **Cash, cash equivalents and restricted cash at the end of the year** |  | $ | 26,363 |  |  | $ | 10,493 |  |  | $ | 6,444 |  |
| **SUPPLEMENTAL CASH FLOW INFORMATION** |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Related party loan reduction in exchange for preferred shares (Note 3) |  | $ | - |  |  | $ | - |  |  | $ | 3,000 |  |
| Issuance of common stock in exchange for entities acquisition (Note 3) |  | $ | 21,000 |  |  | $ | - |  |  | $ | - |  |
| Reclassification of compensation cost of issued restricted stock awards from other liabilities to stockholders' equity (Note 8) |  | $ | 1,464 |  |  | $ | - |  |  | $ | - |  |
| Interest payments, net of amounts capitalized |  | $ | 408 |  |  | $ | 2,355 |  |  | $ | 7,724 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| The accompanying notes are an integral part of these consolidated financial statements. | | | | | | | |  |  |  |  |  |

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PERFORMANCE SHIPPING INC.

Notes to Consolidated Financial Statements

December 31, 2019

(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 Performance Shipping Inc. (or “Performance”) and its wholly-owned subsidiaries (collectively, the “Company”). Performance was incorporated as Diana Containerships Inc. on January 7, 2010, under the laws of the Republic of the Marshall Islands for the purpose of engaging in any lawful act or activity under the Marshall Islands Business Corporations Act. On February 19, 2019, the Company’s Annual Meeting of Shareholders approved an amendment to the Company’s Amended and Restated Articles of Incorporation to change the name of the Company from “Diana Containerships Inc.” to “Performance Shipping Inc.,” which was effected on February 25, 2019.  The Company’s common shares traded on the Nasdaq Global Select Market until March 5, 2020, and effective March 6, 2020, they trade on the Nasdaq Capital Market. The Company’s ticker symbol has been “DCIX” until March 30, 2020, at which date it changed to “PSHG”.

The Company is a global provider of shipping transportation services through the ownership of container vessels since its incorporation and also through the ownership of tanker vessels since August 2019, and operates its fleet through Unitized Ocean Transport Limited, a wholly-owned subsidiary, or, from time to time, through other managers, as described below.

Following the acquisition of the tanker vessels during 2019 (Notes 3, 4, 5 and 14), the Company has determined that it operates under two reportable segments, one relating to its operations of container vessels (containers segment) and one to the operations of tanker vessels (tankers segment). The accounting policies that apply to the reportable segments are the same as those used in the preparation of the Company's consolidated financial statements (Notes 2 and 13).

As at December 31, 2019, the Company was the sole owner of all outstanding shares of the following subsidiaries:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a/a** | **Company** | **Place of Incorporation** | **Vessel** | **Flag** | **Capacity** | **Date built** | **Date acquired** | **Date sold** |
| **Vessel Owning Subsidiaries - Aframax Tanker Vessels** | | | | | | | | |
| 1 | Taburao Shipping Company Inc. (Notes 3, 5) | Marshall Islands | Blue Moon | Marshall Islands | 104,623 DWT | Sep-11 | Aug-19 | - |
| 2 | Tarawa Shipping Company Inc. (Notes 3, 5) | Marshall Islands | Briolette | Marshall Islands | 104,588 DWT | Apr-11 | Nov-19 | - |
| 3 | Rongelap Shipping Company Inc. (Notes 3, 4 and 14 (c)) | Marshall Islands | P. Fos (ex Virgo Sun) | Marshall Islands | 115,577 DWT | Mar-07 | Jan-20 | - |
| **Vessel Owning Subsidiaries - Panamax Container Vessels** | | | | | | | | |
| 4 | Rongerik Shipping Company Inc. | Marshall Islands | Domingo | Marshall Islands | 3,739 TEU | Mar-01 | Feb-12 | - |
| **Vessel Owning Subsidiaries - Post-Panamax Container Vessels** | | | | | | | | |
| 5 | Meck Shipping Company Inc. (Note 14 (d)) | Marshall Islands | Rotterdam | Marshall Islands | 6,494 TEU | Jul-08 | Sep-15 | Apr-20 |
| **Vessel Owning Subsidiaries  - Sold Container Vessels** | | | | | | | | |
| 6 | Utirik Shipping Company Inc. | Marshall Islands | Doukato | Marshall Islands | 3,739 TEU | Feb-02 | Feb-12 | Jun-17 |
| 7 | Delap Shipping Company Inc. | Marshall Islands | March | Marshall Islands | 5,576 TEU | May-04 | Sep-14 | Mar-18 |
| 8 | Jabor Shipping Company Inc. | Marshall Islands | Great | Marshall Islands | 5,576 TEU | Apr-04 | Oct-14 | Mar-18 |
| 9 | Likiep Shipping Company Inc. | Marshall Islands | Sagitta | Marshall Islands | 3,426 TEU | Jun-10 | Jun-10 | Apr-18 |
| 10 | Orangina Inc. | Marshall Islands | Centaurus | Marshall Islands | 3,426 TEU | Jul-10 | Jul-10 | May-18 |
| 11 | Eluk Shipping Company Inc. | Marshall Islands | Puelo | Marshall Islands | 6,541 TEU | Nov-06 | Aug-13 | Jun-18 |
| 12 | Langor Shipping Company Inc. | Marshall Islands | Hamburg | Marshall Islands | 6,494 TEU | Mar-09 | Nov-15 | Jul-18 |
| 13 | Dud Shipping Company Inc. (Note 5) | Marshall Islands | Pamina | Marshall Islands | 5,042 TEU | May-05 | Nov-14 | Oct-19 |
| 14 | Oruk Shipping Company Inc. (Note 5) | Marshall Islands | Pucon | Marshall Islands | 6,541 TEU | Aug-06 | Sep-13 | Nov-19 |
| **Other Subsidiaries** | | | | | | | | |
| 15 | Container Carriers (USA) LLC | Delaware - USA | Company's US representative | | - | - | - | - |
| 16 | Unitized Ocean Transport Limited | Marshall Islands | Management company | | - | - | - | - |

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PERFORMANCE SHIPPING INC.

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***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.

***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. The fees payable to UOT pursuant to the respective management and administrative agreements are eliminated in consolidation as intercompany transactions.

Upon delivery of the tanker vessels “Blue Moon” and “Briolette” in 2019 (Note 5), the Company appointed Maersk Tankers A/S (“Maersk Tankers”), an unaffiliated entity, to provide management services to these vessels for a certain period of time. For 2019, management fees to Maersk Tankers amounted to $142 and are included in Management fees, and commissions to Maersk Tankers amounted to $42 and are included in Voyage expenses in the accompanying consolidated statements of operations. As at December 31, 2019, there was an amount of $512 due from Maersk Tankers, which is included in Prepaid expenses and other assets in the accompanying consolidated balance sheet. Furthermore, in late December 2019, the Company appointed Diana Wilhelmsen Management Limited (“DWM”), an affiliated until February 2020 entity, to provide management services to the Company’s container vessels “Rotterdam” and “Domingo” (Note 3).

Until March 2018, Wilhelmsen Ship Management LTD, an unaffiliated third party, provided management services to the laid-up vessels of the Company's fleet for a fixed monthly fee for each vessel. The fees payable to Wilhelmsen Ship Management LTD amounted to $62 and $697 for the years ended December 31, 2018 and 2017, respectively, and are included in Vessel operating expenses in the accompanying consolidated statements of operations.

During 2019, 2018 and 2017, charterers that accounted for more than 10% of the Company’s voyage and hire revenues, were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Charterer** |  | **2019** |  | **2018** |  | **2017** |
| A - Containers' segment |  | 31% |  | 29% |  | - |
| B - Containers' segment |  | - |  | - |  | 18% |
| C - Containers' segment |  | 10% |  | 32% |  | 24% |
| D - Containers' segment |  | 16% |  | 19% |  | 35% |
| E - Containers' segment |  | 11% |  | - |  | - |
| F - Tankers' segment |  | 13% |  | - |  | - |
|  |  |  |  |  |  |  |

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PERFORMANCE SHIPPING INC.

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**2.     Recent Accounting Pronouncements and Significant Accounting Policies**

**Recent Accounting Pronouncements Not Yet Adopted**

***Financial Instruments - Credit Losses (Topic 326):*** In June 2016, the FASB issued ASU No.  2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This standard, including the codification improvements issued in November 2018, requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions, and reasonable and supportable forecasts in order to record credit losses in a more timely manner. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In November 2018, FASB issued ASU 2018-19, Codification Improvements to topic 326, Financial Instruments-Credit Losses. The amendments in this update clarify that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842. For public entities, the amendments of this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.  The Company has assessed all the expected credit losses of its financial assets and the adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments Credit Losses, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments, the amendments of which clarify the modification of accounting for available for sale debt securities excluding applicable accrued interest, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. In May 2019, the FASB issued ASU 2019-05, Financial Instruments—Credit Losses (Topic 326)—Targeted Transition Relief, which is the final version of Proposed Accounting Standards Update 2019-100—Targeted Transition Relief for Topic 326, Financial Instruments—Credit Losses, which has been deleted. This Update provides entities with an option to irrevocably elect the fair value option applied on an instrument-by-instrument basis for certain financial assets upon the adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. The effective date and transition requirements for the amendments in these Updates are the same as the effective dates and transition requirements in Update 2016-13, as amended by these Updates. The adoption of this ASU is not expected to have a material effect on the Company’s consolidated financial statements.

***Fair Value Measurement (Topic 820):*** In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement, which improves the effectiveness of fair value measurement disclosures. In particular, the amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits. The amendments in the Update apply to all entities that are required under existing GAAP, to make disclosures about recurring and non-recurring fair value measurements.  ASU No. 2018-13 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. The adoption of this ASU is not expected to have a material effect on the Company’s consolidated financial statements.

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***Consolidation (Topic 810):*** In October 2018, the FASB issued ASU No. 2018-17, “Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities”. The Board is issuing this Update in response to stakeholders’ observations that Topic 810, Consolidation, could be improved in the following areas: i) applying the variable interest entity (VIE) guidance to private companies under common control, ii) considering indirect interests held through related parties under common control for determining whether fees paid to decision-makers and service providers are variable interests. The amendments in this Update improve the accounting for those areas, thereby improving general purpose financial reporting. ASU No. 2018-17 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. All entities are required to apply the amendments in this Update retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The adoption of this ASU is not expected to have a material effect on the Company’s consolidated financial statements.

**Significant Accounting Policies**

***(a) Principles of Consolidation***: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Performance Shipping Inc. and its wholly-owned subsidiaries referred to in Note 1 above. All significant intercompany balances and transactions have been eliminated upon consolidation. Under Accounting Standards Codification (“ASC”) 810 “Consolidation”, the Company consolidates entities in which it has a controlling financial interest, by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary under the VIE model, or if the Company controls an entity through a majority of voting interest based on the voting interest model. The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist. The Company’s evaluation did not result in an identification of variable interest entities as of December 31, 2019 and 2018.

***(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, when applicable, includes minimum cash deposits required to be maintained under the Company’s borrowing arrangements. The comparative amounts in the accompanying 2017 consolidated statements of cash flows have been reclassified due to the changes in the current presentation of restricted cash following the adoption as of January 1, 2018, of the ASU No. 2016-18 -Statement of Cash Flows - Restricted Cash.

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***(g) Accounts Receivable, Trade:*** The account includes receivables from charterers for hire and freight, net of any provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No provision for doubtful accounts has been made as of December 31, 2019 and 2018.

***(h) Inventories:*** Inventories consist of lubricants and victualling which are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Inventories 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 time charterers and has not yet been delivered to new charterers, or remains idle. Bunkers are also stated at the lower of cost or net realizable value and cost is determined by the first in, first out method.

***(i) Vessel Cost:*** Vessels are stated at cost which consists of the contract price and 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.

***(j) Vessel Depreciation:*** The Company depreciates its 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 the tanker and the container vessels in the fleet. Management estimates the useful life of the Company’s tanker and container vessels to be 25 and 30 years, respectively, 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.

***(k) 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 (such as market conditions, obsolesce or damage to the asset, potential sales and other business plans) 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. The 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 shipping 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 also takes into account factors such as the vessels’ age and employment prospects under the then current market conditions and determines the future undiscounted cash flows considering its various alternatives, including sale possibilities existing for each vessel as of the testing dates.

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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 rate for the unfixed days (based, to the extent applicable, on the most recent 10 year average historical 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.  Effective fleet utilization is assumed to 98% in the Company’s exercise, if vessel not laid-up, 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 and its expectations for future fleet utilization under its fleet employment strategy. The review of the vessel’s carrying amounts in connection with the estimated recoverable amounts for 2019, 2018 and 2017 indicated impairment charges for certain of the Company’s vessels, which are separately reflected in the accompanying consolidated statements of operations (Note 5).

***(l) Assets held for sale:*** 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. The review of the related criteria for the year ended December 31, 2019 and 2018 did not result in held for sale classification for any of the Company’s vessels, however, on September 30, 2019, on June 30, 2018, and March 31, 2018, the Company has classified certain of its vessels as held for sale (Note 5).

***(m) Accounting for Voyage and Time-Charter Revenues and Related Expenses:*** Since the Company’s vessels are employed under time and voyage charter contracts, the Company disaggregates its revenue from contracts with customers by the type of charter (time charters and spot charters).

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The Company has determined that all of its time charter agreements contain a lease and are therefore accounted for as operating leases in accordance with ASC 842. Time charter revenues are accounted for over the term of the charter as the service is provided. Vessels are chartered when a contract exists and the vessel is delivered (commencement date) to the charterer, for a fixed period of time, at rates that are generally determined in the main body of charter parties and the relevant voyage expenses burden the charterer (i.e. port dues, canal tolls, pilotages and fuel consumption). Upon delivery of the vessel, the charterer has the right to control the use of the vessel (under agreed prudent operating practices) as they have the enforceable right to: (i) decide the delivery and redelivery time of the vessel; (ii) arrange the ports from which the vessel shall pass; (iii) give directions to the master of the vessel regarding vessel's operations (i.e. speed, route, bunkers purchases, etc.); (iv) sub-charter the vessel and (v) consume any income deriving from the vessel's charter. Any off-hires are recognized as incurred. The charterer may charter the vessel with or without owner's crew and other operating services. In the case of time charter agreements, the agreed hire rates include compensation for part of the agreed crew and other operating services provided by the owner (non-lease components). The Company, as a lessor, elected to apply the practical expedient which allowed it to account for the lease and the non-lease components of time charter agreements as one, as the criteria of the paragraphs ASC 842-10-15-42A through 42B are met. Time-charter revenue is usually received in advance, and as such, unearned revenue represents cash received prior to the balance sheet date for which related service has not been provided.

Spot, or voyage charter is a charter where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified freight rate per ton, regardless of time to complete. The Company has determined that under voyage charters, the charterer has no right to control any part of the use of the vessel. Thus, the Company’s voyage charters do not contain lease and are accounted for in accordance with ASC 606. More precisely, the Company satisfies its single performance obligation to transfer cargo under the contract over the voyage period. Thus, revenues from voyage charters on the spot market are recognized ratably from the date of loading (Notice of Readiness to the charterer, that the vessel is available for loading) to discharge date of cargo (loading-to-discharge). Voyage charter payments are due upon discharge of the cargo. Demurrage revenue, which is included in voyage revenues, represents charterers’ reimbursement for any potential delays exceeding the allowed lay time as per charter party agreement, represents form of variable consideration and is recognized as the performance obligation is satisfied. The Company has taken the practical expedient not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

As discussed above, under a time charter specified voyage costs, such as bunkers and port charges are paid by the charterer, while commissions are paid by the Company. Under spot charter arrangements, voyage expenses that are unique to a particular charter are paid for by the Company. Commissions are expensed as incurred. Voyage expenses that qualify as contract fulfillment costs (mainly consisting of bunkers expenses and port dues) and are incurred by the Company from the latter of the end of the previous vessel employment, provided that the vessel is fixed, or from the date of inception of a voyage charter contract until the arrival at the loading port, are capitalized to Deferred Voyage Expenses and amortized ratably over the total transit time of the voyage (loading-to-discharge). Vessel voyage expenses that do not qualify as contract fulfillment costs, operating expenses, and charter hire expenses are expensed when incurred.

In 2018, all Company’s vessels (which were exclusively container vessels) were operating under time-charter contracts, and accordingly trade accounts receivable and deferred revenue balances of December 31, 2018 and revenues and voyage expenses of 2018 were derived solely from time-charter contracts. Since August 2019, following the acquisition of tanker vessels, the Company recognizes revenue and related voyage expenses for two types of charters, time charters and spot charters as described above. As of December 31, 2019, Accounts receivable trade from spot charters amounted to $3,985 and Accounts receivable trade from time-charter amounted to $700. For 2019, Revenues from spot charters amounted to $6,224 and Revenues from time-charters amounted to $20,622, while Voyage expenses from spot charters amounted to $2,461 and Voyage expenses from time-charters amounted to $986.

***(n) 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.

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***(o) Segmental Reporting:*** The Company has determined that it operates under two reportable segments, one relating to its operations of the tanker vessels and one to the operations of the container vessels. For both segments, the Company reports financial information and evaluates the operations of the two segments by charter revenues and not by the length of ship employment for its customers, i.e. spot or time charters. Management, including the chief operating decision-maker, reviews operating results solely by revenue per day and operating results of the two fleets. 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. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company’s consolidated financial statements.

***(p) Accounting for Dry-Docking Costs:*** The Company follows the deferral method of accounting for dry-docking costs whereby actual costs incurred are deferred and 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. Unamortized dry-docking costs of vessels classified as held for sale are written off as impairment charges when these vessels’ carrying values are impaired as a result of their classification. The unamortized dry-docking cost is reflected in Deferred Charges, net, in the accompanying consolidated balance sheets. Amortization of dry-docking costs for 2019, 2018 and 2017 amounted to $389, $518 and $744, respectively, and is reflected in Depreciation and amortization of deferred charges, in the accompanying consolidated statement of operations. In addition, in 2019, $117 and $598 of deferred dry-dock costs have been written off in Loss / (Gain) on vessels’ sale and in Impairment losses, respectively, due to the respective vessels’ sale or due to their classification as held for sale during the year. Similarly, in 2018 and 2017, $832 and $0, respectively, of deferred dry-dock costs have been written-off in Loss / (Gain) on vessels’ sale in the accompanying consolidated statements of operations.

***(q) Financing Costs and Liabilities:*** 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. Discount premiums (Note 3) are accounted for similar to other financing fees. 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. A loan liability is derecognized when the Company pays the creditor and is relieved of its obligation for the liability. The difference between the settlement price and the net carrying amount of the debt being extinguished (which includes any deferred debt issuance costs) is recognized as a gain or loss in the statement of operations.

***(r) 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.

***(s) Share-Based Payment:*** The Company issues restricted share awards which are measured at their grant date fair value and are not subsequently re-measured.  That cost is recognized under the straight-line method 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). When the service inception date precedes the grant date, the Company accrues the compensation cost for periods before the grant date based on the fair value of the award at the reporting date. In the period in which the grant date occurs, cumulative compensation cost is adjusted to reflect the cumulative effect of measuring compensation cost based on the fair value at the grant date.  Forfeitures of awards are accounted for when and if they occur. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

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***(t) 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:

|  |  |
| --- | --- |
| 1. | Level 1: Quoted market prices in active markets for identical assets or liabilities; |

|  |  |
| --- | --- |
| 2. | Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data; |

|  |  |
| --- | --- |
| 3. | Level 3: Unobservable inputs that are not corroborated by market data. |

***(u) 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.

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

***(w) Evaluation of purchase transactions:***When the Company enters into an acquisition transaction, it determines whether the acquisition transaction was the purchase of an asset or a business based on the facts and circumstances of the transaction. In accordance with ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, if substantially all of the fair value of the gross assets acquired in an acquisition transaction are concentrated in a single identifiable asset or group of similar identifiable assets, then the set is not a business. To be considered a business, a set must include an input and a substantive process that together significantly contributes to the ability to create an output. All assets acquired and liabilities assumed in a business combination are measured at their acquisition-date fair values. For asset acquisitions, the cost of the acquisition is allocated to individual assets and liabilities on a relative fair value basis. Acquisition costs associated with business combinations are expensed as incurred. Acquisition costs associated with asset acquisitions are capitalized.

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**3.     Transactions with Related Parties**

***(a)    Altair Travel Agency S.A (“Altair”):*** The Company uses the services of an affiliated travel agent, Altair, which is controlled by the Company’s CEO and Chairman of the Board. Travel expenses for 2019, 2018 and 2017, were $428, $554 and $672, respectively, and are included in Vessel operating expenses, in General and administrative expenses, and in Loss/(Gain) on vessels’ sale in the accompanying consolidated statements of operations. As at December 31, 2019 and 2018, an amount of $8 and $4, respectively, was payable to Altair and is included in Due to related parties in the accompanying consolidated balance sheets.

***(b)   Steamship Shipbroking Enterprises Inc. (“Steamship Shipbroking”):*** Steamship Shipbroking, a company controlled by the Company’s CEO and Chairman of the Board, provided, until March 1, 2020 brokerage services to the Company, pursuant to a Brokerage Services Agreement for a fixed fee.  Subsequent to the balance sheet date, the agreement with Steamship Shipbroking was early terminated at no cost (Note 14 (g)).

For 2019, 2018 and 2017, total brokerage fees to Steamship Shipbroking amounted to $2,100, $2,145 and $2,100 respectively, and are included in General and administrative expenses in the accompanying consolidated statements of operations. As at December 31, 2019 and 2018, there was no amount due from or due to Steamship Shipbroking, and an amount of $420 and $465, respectively, has been accrued for in connection with bonuses approved to Steamship Shipbroking and is included in Accrued liabilities in the accompanying consolidated balance sheets.

***(c)   Diana Shipping Inc. (“DSI”):*** In May 2013, the Company entered into an unsecured loan agreement of up to $50,000 with DSI, which was subsequently amended in 2015, 2016 and 2017. In May 2017, as discussed in Note 8, the Company issued 100 shares of its then newly-designated Series C Preferred Stock to DSI, in exchange for a reduction of $3,000 in the principal amount of the Company's then outstanding loan. Later, in June 2017, the Company refinanced the then existing loan for an amount of $87,617, including a $5,000 interest-bearing discount premium, which was payable at maturity in 2018. The loan, which was secured over all of the Company’s vessels owned as of the date of refinancing, was gradually repaid in full up to July 2018, together with the discount premium, and thus the loan agreement was terminated. The weighted average interest rate of the DSI loan during 2018 and 2017 was 6.12% and 5.42%, respectively. For 2018 and 2017, interest expense incurred under the loan agreements with DSI amounted to $2,054 and $3,656 respectively, while the discount premium amortization amounted to $2,708 and $2,292, respectively. Interest expense and discount premium amortization are included in Interest and finance costs in the accompanying consolidated statements of operations. Subsequent to the balance sheet date, the Company re-purchased and cancelled all Series C Preferred Stock (Note 14 (j)).

***(d)*** **$*21,000 Investment by the Company’s CEO and Chairman:*** In June and November 2019, under two separate transactions, the Company acquired the entities Taburao Shipping Company Inc., Tarawa Shipping Company Inc., and Rongelap Shipping Company Inc., which were affiliated with the Company’s CEO and Chairman, Mr. Symeon Palios, for an aggregate purchase price of $21,000. Prior to their acquisition by the Company, each of the three newly-acquired entities had signed contracts to purchase an Aframax tanker vessel each, the “Blue Moon”, the “Briolette” and the “P. Fos” (ex “Virgo Sun”) from unaffiliated third-party sellers for a purchase price of $30,000, $30,000 and $26,000 respectively, and had paid advance deposits of $8,000, $2,000 and $11,000, respectively. The Company, in exchange for the aforementioned entities’ acquisition, agreed to pay a price equal to the aggregate deposits previously paid to the vessels’ sellers. The $10,000 aggregate purchase price for the previously signed contracts of the “Blue Moon” and the “Briolette” was paid in Company’s common shares at a per share price of $1.05, which was the undiscounted closing price of the Company’s common stock on the NASDAQ stock exchange on June 7, 2019. The $11,000 purchase price for  the previously signed contract of the “P. Fos” (ex “Virgo Sun”) was also paid in Company’s common shares at a per share price of $0.9027, which was the undiscounted closing price of the Company’s common stock on the NASDAQ stock exchange on November 18, 2019. Both transactions, which were unanimously approved by the disinterested members of the board of directors of the Company, resulted in the issuance of an aggregate number of 21,709,474 common shares during 2019.

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The “Blue Moon” and the “Briolette” were delivered to the Company charter-free in August and November 2019, respectively, and the Company paid the remaining balance of the purchase price through bank financing and cash on hand (Notes 5 and 6). The vessel “P. Fos ” (ex “Virgo Sun”) has been delivered to the Company in January 2020 and the balance of the purchase price payable under the contract of $15,000 was funded through bank financing and cash on hand (Notes 4, 6, 7 and 14 (c)).

***(e) Diana Wilhelmsen Management Limited (“DWM***”): In late December 2019, the Company appointed DWM to provide management services to the container vessels “Rotterdam” and “Domingo”. DWM was deemed a related party to the Company until the resignation of certain of the Company’s BOD members and officers (Note 14 (f)), on the basis that, until February 2020, members of the Company’s management and board of directors also acted as board of directors members at DWM. For 2019, management fees to DWM amounted to $5 and are included in “Management fees” in the accompanying consolidated statements of operations. As at December 31, 2019, there was no amount due from or due to DWM.

|  |  |
| --- | --- |
| **4.** | **Advances for Vessel Acquisitions and Other Vessels’ Costs** |

As discussed in Note 3, in November 2019, the Company acquired for a purchase price of $11,000 the entity Rongelap Shipping Company Inc., whose sole asset was a contract to acquire the tanker vessel “P. Fos” (ex “Virgo Sun”) for a total price of $26,000. The delivery of the vessel took place subsequent to the balance sheet date, in January 2020, and the Company paid the remaining $15,000 of the vessels’ MOA price through cash on hand and debt financing, as the Company drew down an amount of $14,000 from Nordea, pursuant to the respective amended and restated loan agreement terms (Notes 6, 7 and 14).

As at December 31, 2018, there were no advances for vessels’ acquisitions and other vessels’ costs. As at December 31, 2019, the amount presented in the accompanying consolidated balance sheets represents solely the advance deposits and other costs capitalized in connection with the prospective acquisition of the tanker vessel “P. Fos” (ex “Virgo Sun”), in accordance with the Company’s accounting policy, and is analyzed as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **December 31, 2019** | |  |  | **December 31, 2018** | |  |
| Advances for vessel acquisitions |  | $ | 11,000 |  |  | $ | - |  |
| Capitalized costs |  |  | 17 |  |  |  | - |  |
| **Total** |  | $ | 11,017 |  |  | $ | - |  |

**5.**     **Vessels, net**

Vessel acquisitions

In 2019, the Company acquired the tanker vessels “Blue Moon” and “Briolette”, for an aggregate purchase price of $60,000. The Company had acquired in June 2019 from its’ CEO and Chairman the entities Taburao Shipping Company Inc. and Tarawa Shipping Company Inc., whose sole assets were the contracts to acquire the specific vessels (Note 3). The vessels were delivered to the Company in August and November 2019, respectively, and aggregate pre-delivery costs capitalized amounted to $161.

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Vessels’ impairment

In 2019, 2018 and 2017, the Company, taking into account the provisions of ASC 360 and factors such as the vessels’ age and employment prospects under the then current market conditions, determined the future undiscounted cash flows for each of its vessels, considering its various alternatives, including sale possibilities. During 2019, 2018 and 2017, the carrying value of three, two and two vessels, respectively, was impaired as a result of their classification as “held for sale” or as a result of the Company’s impairment exercise. More specifically, during 2019 an impairment loss of $17,434 was recognized in connection with the classification of vessel “Pucon” as held for sale on the September 30, 2019 balance sheets, and an aggregate impairment loss of $14,195 was recognized for the vessels ”Pamina” and “Rotterdam” that were classified on the June 30, 2019, and December 31, 2019 balance sheets, respectively, as held and used, as the Company’s impairment exercise concluded that their carrying value was not recoverable. The vessels were measured at fair value on a non-recurring basis as a result of the Company’s impairment test exercise or their “held for sale” classification and their fair value was determined through Level 2 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 aggregate fair value of the impaired vessels as of the testing dates was $47,393 in 2019, $29,074 in 2018 and $20,050 in 2017.

In aggregate, in 2019, 2018 and 2017, the impairment loss recognized by the Company amounted to $31,629, out of which $598 are unamortized dry-dock costs (Note 2 (k),(p)), $20,654 and $8,363, respectively, and is separately reflected in the accompanying consolidated statements of operations.

Vessel disposals

In August and September 2019, the Company, through two of its subsidiaries, entered into two memoranda of agreement to sell the container vessels “Pamina” and “Pucon” to unrelated parties for an aggregate gross price of $29,340. The “Pamina” and the “Pucon” were delivered to their new owners in October and November 2019, respectively, and the Company received aggregate proceeds of $28,868, net of expenses, in accordance with the terms of the contracts. From October 2017 to May 2018, the Company, through seven of its subsidiaries, entered into memoranda of agreement to sell the container vessels “March”, “Great”, “New Jersey”, “Sagitta”, “Centaurus”, “Puelo” and “Hamburg” to unrelated parties. All seven vessels were delivered to their new owners during 2018, and the Company received aggregate proceeds of $92,905, net of expenses.

For 2019 and 2018, the aggregate loss from the sale of vessels, including direct to sale expenses, amounted to $127 and $16,700, respectively, while for 2017 the respective gain, net of direct to sale expenses, amounted to $945. The amounts are separately reflected in Loss/(Gain) on vessels’ sale in the accompanying consolidated statements of operations.

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The amounts of Vessels, net in the accompanying consolidated balance sheets are analyzed as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Vessels' Cost** | |  |  | **Accumulated Depreciation** | |  |  | **Net Book Value** | |  |
| **Balance, December 31, 2017** |  | $ | 247,327 |  |  | $ | (46,019 | ) |  | $ | 201,308 |  |
| - Vessels' disposals |  |  | (121,249 | ) |  |  | 30,853 |  |  |  | (90,396 | ) |
| - Depreciation |  |  | - |  |  |  | (4,388 | ) |  |  | (4,388 | ) |
| - Impairment charges |  |  | (20,654 | ) |  |  | - |  |  |  | (20,654 | ) |
| **Balance, December 31, 2018** |  | $ | 105,424 |  |  | $ | (19,554 | ) |  | $ | 85,870 |  |
| - Acquisitions and other vessels' costs |  |  | 60,161 |  |  |  | - |  |  |  | 60,161 |  |
| - Vessels' disposals |  |  | (40,553 | ) |  |  | 11,677 |  |  |  | (28,876 | ) |
| - Depreciation |  |  | - |  |  |  | (3,253 | ) |  |  | (3,253 | ) |
| - Impairment charges |  |  | (31,031 | ) |  |  | - |  |  |  | (31,031 | ) |
| **Balance, December 31, 2019** |  | $ | 94,001 |  |  | $ | (11,130 | ) |  | $ | 82,871 |  |

As at December 31, 2019, the Company’s container vessels were unencumbered, whereas the tanker vessels “Blue Moon” and “Briolette”, having an aggregate net book value of $59,421, have been provided as collateral to secure the new loan facility with Nordea (Note 6).

**6.     Long-Term Debt**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **December 31, 2019** | |  |  | Current | |  |  | Non-current | |  |  | **December 31, 2018** | |  |  | Current | |  |  | Non-current | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Nordea term loan |  | $ | 32,481 |  |  | $ | 4,340 |  |  | $ | 28,141 |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |
| less unamortized deferred financing costs |  |  | (198 | ) |  |  | (58 | ) |  |  | (140 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| **Total debt, net of deferred financing costs** |  | $ | 32,283 |  |  | $ | 4,282 |  |  | $ | 28,001 |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |

***Nordea Bank Abp, Filial i Norge (“Nordea”) – Term Loan***: On July 24, 2019, the Company, through Taburao Shipping Company Inc. and Tarawa Shipping Company Inc. (the “Initial Borrowers”), entered into a loan agreement with Nordea for a senior secured term loan facility of up to $33,000. The purpose of the loan facility was to partially finance the acquisition cost of the tanker vessels “Blue Moon” and “Briolette”, discussed in Note 5. An arrangement fee of $330 was paid on signing the loan agreement, and commitment commissions of 0.9625% per annum were calculated on the undrawn amounts from the date of signing the loan agreement until the drawdown dates. In July and November 2019, the Initial Borrowers drew down the maximum amount of $16,500 each.

The “Blue Moon” tranche is repayable in 20 quarterly installments of $518.6 and a balloon of $6,128 payable together with the last installment, while the “Briolette” tranche is repayable in 19 quarterly installments of $566.2 and a balloon of $5,742.2 payable together with the last installment. Both tranches mature on July 30, 2024 and bear interest at LIBOR plus a margin of 2.75% per annum.

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On December 23, 2019, the Company, through the “Initial Borrowers” and Rongelap Shipping Company Inc. (collectively “the Borrowers”), entered into a first amendment and restatement loan agreement with Nordea for a senior secured term loan facility of up to $47,000.  The purpose of the amended agreement is to provide additional finance of up to $14,000 for the acquisition of the tanker vessel “P. Fos” (ex “Virgo Sun”), discussed in Note 4, and in all other respects includes identical terms to the initial agreement. Subsequent to the balance sheet date, the Company drew down the maximum amount of $14,000 to support the acquisition of the vessel “P. Fos” (ex “Virgo Sun”). Also subsequent to the balance sheet date, the Company entered into the second amendment and restatement loan agreement with Nordea to fund the acquisition of the vessel “P. Kikuma” (ex “FSL Shanghai”)(Note 14 (c), (i)).

The loan is guaranteed by Performance Shipping Inc., is secured by first priority mortgages over the financed tanker vessels, first priority assignments of earnings, insurances and of any charters exceeding durations of two years, pledge over the borrowers’ shares and over their earnings accounts, and vessels’ managers’ undertakings. The loan agreement requires a minimum hull value of the financed vessels, imposes restrictions as to dividend distribution following the occurrence of an event of default and changes in shareholding, includes customary financial covenants and requires minimum cash liquidity of $7,000 at all times during the facility period plus $1,000 per additional tanker vessel acquired. As at December 31, 2019, the compensating cash balance required under the loan agreement amounted to $7,000 and is included in Cash and cash equivalents in the accompanying consolidated balance sheets. As at December 31, 2019, the Company was in compliance with all of its loan covenants.

For 2019, 2018 and 2017, interest expense on long-term debt in connection with the above-described loan agreement with Nordea and the terminated loan agreements with Addiewell Ltd (“Addiewell) and the Royal Bank of Scotland (“RBS”) amounted to $416, $247 and $3,773, respectively, discount premium amortization amounted to $0, $6,282 and $3,718, respectively, while commitment fees amounted to $55, $0 and $0, respectively. Interest expense, discount premium amortization, and commitment fees are included in Interest and finance costs in the accompanying consolidated statement of operations. Accrued interest as of December 31, 2019 and 2018, amounted to $8 and $0, respectively, and is included in Accrued liabilities in the accompanying consolidated balance sheets. The weighted average interest of the Nordea loan for 2019 was 4.68%, while the weighted average interest of the Addiewell loan for 2018 was 6.00%.

As at December 31, 2019, the maturities of the debt facility described above, are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Period** |  |  |  | **Principal Repayment** |  |
|  |  |  |  |  |  |
| January 1, 2020 | to | December 31, 2020 | $ | 4,340 |  |
| January 1, 2021 | to | December 31, 2021 |  | 4,340 |  |
| January 1, 2022 | to | December 31, 2022 |  | 4,340 |  |
| January 1, 2023 | to | December 31, 2023 |  | 4,340 |  |
| January 1, 2024 | to | July 30, 2024 |  | 15,121 |  |
|  |  | **Total** | **$** | **32,481** |  |

**7.**     **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 claims or contingent liabilities, which should be disclosed, or for which a provision should be established and has not in the accompanying consolidated financial statements.

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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 protection and indemnity association (“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 discussed in Notes 3 and 4, in November 2019, the Company acquired the subsidiary Rongelap Shipping Company Inc., which had entered into a memorandum of agreement, to acquire the Aframax tanker vessel “P. Fos” (ex “Virgo Sun”). As at December 31, 2019, the remaining balance to be paid under the contract was $15,000 and was settled in January 2020 upon vessel’s delivery to the new owners using cash on hand and bank financing (Notes 6 and 14 (c)).

***(c)***  As at December 31, 2019, the Company’s container vessels were operating under time charter agreements, which are accounted for as per ASC 842 requirements, while the Company’s tanker vessels were on spot voyages, which are accounted for as per ASC 606 requirements. The minimum contractual annual charter revenues, net of related commissions to third parties, to be generated from the existing as at December 31, 2019, non-cancelable charter contracts, are estimated at $1,080 for the container vessels until December 31, 2020.

***(d)***  The Company rents its office spaces in Greece under various lease agreements with unaffiliated parties. The durations of these agreements vary from a few months to 5 years and certain of these contracts also bear the option for the Company to extend the lease terms for further periods. Under ASC 842, the Company, as a lessee, has classified these contracts as operating leases and accordingly, a lease liability of $190 and an equal right-of-use asset based on the present value of future minimum lease payments for the fixed periods of each contract have been recognized on the December 31, 2019 balance sheet. The monthly rent cost under the existing as of December 31, 2019 lease agreements are $10 (based on the exchange rate of Euro/US Dollar $1.124 as of December 31, 2019) and rent expense is included in General and administrative expenses in the accompanying consolidated statements of operations. The Company has assessed the right of use asset recognized for office leases for impairment and concluded that no impairment charge should be recorded as of December 31, 2019, as no impairment indicators existed.

The following table sets forth the Company’s undiscounted office rental obligations as at December 31, 2019:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Twelve months period ending December 31,** |  | **Amount** | |  |
| 2020 |  | $ | 77 |  |
| 2021 |  |  | 77 |  |
| 2022 |  |  | 57 |  |
| 2023 |  |  | 2 |  |
| Total |  | $ | 213 |  |
| Less imputed interest |  |  | -23 |  |
| Present value of lease liabilities |  | $ | 190 |  |
|  |  |  |  |  |
| Lease liabilities, current |  |  | 72 |  |
| Lease liabilities, non- current |  |  | 118 |  |
| Present value of lease liabilities |  | $ | 190 |  |

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**8.     Changes in Capital Accounts**

***(a)***    ***Issuance of Series C Preferred Stock:*** On May 30, 2017, the Company issued 100 shares of its then newly-designated Series C Preferred Stock, par value $0.01 per share, to DSI, in exchange for a reduction of $3,000 in the principal amount of the Company's then outstanding loan, as described above. The Series C Preferred Stock has no dividend or liquidation rights. The Series C Preferred Stock votes with the common shares of the Company, and each share of the Series C Preferred Stock entitles the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates does not exceed 49.0%, on all matters submitted to a vote of the stockholders of the Company. The issuance of shares of Series C Preferred Stock to DSI was approved by an independent committee of the Board of Directors of the Company, which received a fairness opinion from independent third parties that the transaction was fair from a financial point of view to the Company. As at December 31, 2019 and 2018, the 100 Series C Preferred Stock remained outstanding. Subsequent to the balance sheet date, the Company re-purchased from Diana Shipping Inc. the 100 Series C Preferred Shares for a purchase price of $1,500 and consequently cancelled them (Note 14 (j)).

***(b)   Receipt of NASDAQ Notices:*** On January 15, 2019, the Company announced that it has received written notification from The NASDAQ Stock Market LLC (“NASDAQ”) dated January 10, 2019, indicating that because the closing bid price of the Company's common stock for 30 consecutive business days was below the minimum $1.00 per share bid price requirement for continued listing on the NASDAQ Global Select Market, the Company was not in compliance with NASDAQ Listing Rule 5450(a)(1). The Company regained compliance on April 4, 2019, and thus cured this deficiency within the prescribed grace period.

On September 11, 2019, the Company announced that it has received written notification from The NASDAQ dated September 6, 2019, indicating that because the closing bid price of the Company's common stock for 30 consecutive business days was below the minimum $1.00 per share bid price requirement for continued listing on the NASDAQ Global Select Market, the Company was not in compliance with NASDAQ Listing Rule 5450(a)(1). The applicable grace period to regain compliance was until March 4, 2020. The Company, to cure this deficiency within the prescribed grace period,  has initiated in January 2020 a Share Repurchase Program, as per the terms described under c) below and as discussed in Note 14 (a). Moreover, on March 6, 2020 the Company’s securities were transferred to Nasdaq Capital Market and the Company was granted an additional grace period of 180 days to cure the bid price deficiency (Note 14 (h)).

***(c)   Share Repurchase Program:*** On January 9, 2019, the Company had announced that its Board of Directors authorized a share repurchase program to purchase up to an aggregate of $6,000 of the Company’s common shares. The timing and amount of any repurchases would be determined by the Company’s management team and would depend on market conditions, capital allocation alternatives, applicable securities laws, and other factors. The Board of Directors’ authorization of the repurchase program was effective immediately and would expire on December 21, 2019. Common shares repurchased as part of this program would be cancelled by the Company. No shares had been repurchased under the specific program, which expired on December 21, 2019.

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Subsequent to the balance sheet date, the Company’s Board of Directors re-authorized a share repurchase program to purchase up to an aggregate of $6,000 of the Company’s common shares and up to the date that these financial statements are issued, a number of common shares have been repurchased and cancelled by the Company (Note 14 (a)).

***(d) Issuance of Series B Preferred Stock and Warrants to purchase Series B Preferred Stock:*** On March 21, 2017, the Company completed a registered direct offering of (i) 3,000 newly-designated Series B-1 convertible preferred shares, par value $0.01 per share, and common shares underlying such Series B-1 convertible preferred shares, and (ii) warrants to purchase 6,500 of Series B-1 convertible preferred shares, 6,500 of Series B-1 convertible preferred shares underlying such warrants, and common shares underlying such Series B-1 convertible preferred shares. Concurrently with the registered direct offering, the Company completed an offering of warrants to purchase 140,500 of Series B-2 convertible preferred shares in a private placement, in reliance on Regulation S under the Securities Act. The securities in the registered direct offering and private placement were issued and sold to Kalani Investments Limited (or “Kalani”), an entity not affiliated with the Company, pursuant to a Securities Purchase Agreement. In connection with the private placement, the Company entered into a Registration Rights Agreement with Kalani, pursuant to which the investor was granted certain registration rights with respect to the securities issued and sold in the private placement. The Series B convertible preferred shares were convertible at any time at the option of the holder into common shares based on specific terms of the agreements.

The Company in its assessment for the accounting of the Series B-1 and B-2 convertible preferred shares has taken into consideration ASC 480 "Distinguishing liabilities from equity" and determined that the preferred shares should be classified as equity instead of liability. The Company further analyzed key features of the preferred shares to determine whether these are more akin to equity or to debt and concluded that the Series B-1 and B-2 convertible preferred shares are equity-like. In its assessment, the Company identified certain embedded features, examined whether these fall under the definition of a derivative according to ASC 815 applicable guidance or whether certain of these features affected the classification. Derivative accounting was deemed inappropriate and thus no bifurcation of these features was performed. Upon exercise of the warrants, the holder was entitled to receive preferred shares. ASC 480 "Distinguishing liabilities from equity" requires that a warrant which contains an obligation that may require the issuer to redeem the shares in cash, be classified as a liability and accounted for at fair value. The Company determined that the fair value of the warrants at inception and at December 31, 2018, was immaterial. As at December 31, 2018, 100,010 warrants remained outstanding. On March 24, 2019, the Series B-2 Preferred Warrants that were exercisable for Series B-2 Preferred Shares expired, in accordance with their terms.

In 2019, 2018 and 2017, the Company received net equity proceeds, after deducting offering expenses payable by the Company, of $6,452, $17,413 and $31,989, respectively. In 2019, an aggregate of 6,470 preferred warrants were exercised for the sale of an equal number of preferred shares and in aggregate, 5,220 Series B convertible preferred shares were converted to 7,100,510 common shares, thus leaving 1,500 Series B convertible preferred shares outstanding as at December 31, 2019. Part of the 1,500 outstanding preferred shares was converted to common shares subsequent to the balance sheet date and the remaining preferred shares were re-purchased by the Company and consequently cancelled (Note 14 (b)). In 2018, an aggregate of 17,490 preferred warrants were exercised for the sale of an equal number of preferred shares and in aggregate, 17,529 Series B convertible preferred shares were converted to 10,250,265 common shares, thus leaving 250 Series B convertible preferred shares outstanding as at December 31, 2018. In 2017, an aggregate of 32,500 Series B convertible preferred shares were issued, out of which 32,211 were converted to 4,049,733 common shares, thus leaving 289 Series B convertible preferred shares outstanding as at December 31, 2017.

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PERFORMANCE SHIPPING INC.

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***(e) Compensation Cost on Restricted Common Stock:*** On February 9, 2018, the Company’s Board of Directors approved an amendment to the 2015 Equity Incentive Plan, to increase the aggregate number of shares issuable under the plan to 550,000 shares. On February 9, 2018, the Company issued 161,700 restricted common shares as an award to the executive management and the non-executive directors, pursuant to the Company’s Board of Directors’ decision of February 9, 2017. The fair value of the award was $380 and the number of shares issued was based on the share closing price of February 9, 2018. One third of the shares vested on February 9, 2018, and the remainder two thirds will vest ratably over two years from the issuance date. As at December 31, 2019, 388,300 restricted common shares remained reserved for issuance under the Plan.

Moreover, on February 15, 2018, the Company's Board of Directors approved a one-time award of restricted common stock, which was proposed by the Company's compensation committee, with an aggregate value of $5,000, to the Company's executive officers and non-executive directors, in recognition of the successful refinancing of the Company's RBS loan in 2017. In this respect, a number of 5,747,786 restricted shares were issued on February 15, 2019 and their number was defined based on the share closing price of February 15, 2019. One third of the shares vested on the issuance date and the remainder two thirds will vest ratably over two years from the issuance date. In 2018, a compensation cost of $1,464 was recognized in connection with the specific award and is included in General and administrative expenses in the accompanying consolidated statements of operations and in Other liabilities, non-current in the accompanying 2018 consolidated balance sheets, while in February 2019, upon the issuance of the shares, the respective amount has been reclassified from Other liabilities, non-current to Additional paid-in capital in the accompanying 2019 consolidated balance sheets.

During 2019, 2018 and 2017, aggregate compensation cost on restricted stock amounted to $1,791, $1,587 and $1,171 respectively, and is included in General and administrative expenses in the accompanying consolidated statements of operations. At December 31, 2019 and 2018, the total unrecognized compensation cost relating to restricted share awards was $1,889 and $3,680, respectively.

During 2019 and 2018, the movement of the restricted stock cost was as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Number of**  **Shares** | |  |  | **Weighted**  **Average Grant**  **Date Price** | |  |
| **Outstanding at December 31, 2017** |  |  | - |  |  | $ | - |  |
| Granted |  |  | 161,700 |  |  |  | 2.35 |  |
| Vested |  |  | (53,899 | ) |  |  | 2.35 |  |
| Forfeited or expired |  |  | - |  |  |  | - |  |
| **Outstanding at December 31, 2018** |  |  | 107,801 |  |  | $ | 2.35 |  |
| Granted |  |  | 5,747,786 |  |  |  | 0.87 |  |
| Vested |  |  | (1,969,827 | ) |  |  | 0.91 |  |
| Forfeited or expired |  |  | - |  |  |  | - |  |
| **Outstanding at December 31, 2019** |  |  | 3,885,760 |  |  | $ | 0.89 |  |

As at December 31, 2019, the weighted-average period over which the total compensation cost related to non-vested awards, as presented above, is expected to be recognized, is 0.62 years.

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**9.**     **Interest and Finance Costs**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |
| Interest expense and other fees on unrelated party debt  (Note 6) |  | $ | 416 |  |  | $ | 6,529 |  |  | $ | 7,491 |  |
| Interest expense and other fees on related party debt (Note 3) |  |  | - |  |  |  | 4,762 |  |  |  | 5,948 |  |
| Amortization of deferred financing costs |  |  | 154 |  |  |  | 176 |  |  |  | 322 |  |
| Commitment fees and other |  |  | 81 |  |  |  | 53 |  |  |  | 82 |  |
| **Total** |  | $ | 651 |  |  | $ | 11,520 |  |  | $ | 13,843 |  |

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

All common shares issued (including the restricted shares issued under the equity incentive plan, or else) are the Company’s common stock and have equal rights to vote and participate in dividends, subject to forfeiture provisions set forth in the applicable award agreements. Unvested shares granted under the Company's incentive plan, or else, are entitled to receive dividends which are not refundable, even if such shares are forfeited, and therefore are considered participating securities for basic earnings per share calculation purposes. For 2019, 2018 and 2017 the Company did not declare nor paid any dividends. 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 2019 and 2018, 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 is the same amount. For 2017, the computation of diluted earnings per share reflects the potential dilution from conversion of outstanding preferred convertible stock calculated with the “if-converted” method. No incremental shares were calculated with the treasury stock method for the unexercised warrants to issue preferred convertible shares.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2019** | | | | | |  |  | **2018** | | | | | |  |  | **2017** | | | | | |  |
|  |  | **Basic LPS** | |  |  | **Diluted LPS** | |  |  | **Basic LPS** | |  |  | **Diluted LPS** | |  |  | **Basic EPS** | |  |  | **Diluted EPS** | |  |
| Net income / (loss) |  | $ | (32,057 | ) |  | $ | (32,057 | ) |  | $ | (52,895 | ) |  | $ | (52,895 | ) |  | $ | 3,819 |  |  | $ | 3,819 |  |
| **Net income / (loss) available to common stockholders** |  |  | (32,057 | ) |  |  | (32,057 | ) |  |  | (52,895 | ) |  |  | (52,895 | ) |  |  | 3,819 |  |  |  | 3,819 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average number of common shares outstanding |  |  | 28,646,763 |  |  |  | 28,646,763 |  |  |  | 9,450,555 |  |  |  | 9,450,555 |  |  |  | 427,333 |  |  |  | 427,333 |  |
| Effect of dilutive shares |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 28 |  |
| Total shares outstanding |  |  | 28,646,763 |  |  |  | 28,646,763 |  |  |  | 9,450,555 |  |  |  | 9,450,555 |  |  |  | 427,333 |  |  |  | 427,361 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Earnings / (Loss) per common share** |  | $ | (1.12 | ) |  | $ | (1.12 | ) |  | $ | (5.60 | ) |  | $ | (5.60 | ) |  | $ | 8.94 |  |  | $ | 8.94 |  |

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PERFORMANCE SHIPPING INC.

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**11.**            **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.

The Company is potentially subject to a four percent U.S. federal income tax on 50% of its gross income derived by its voyages that begin or end in the United States.  However, under Section 883 of the Internal Revenue Code of the United States (the “Code”), a corporation is 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 from tax to corporations organized in the United States (an “equivalent exemption”); 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 the United States or in a country that grants an “equivalent exemption”, which is referred to as the “Publicly-Traded Test.”

The Marshall Islands, the jurisdiction where Performance Shipping Inc. 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.

Based on the trading and ownership of its stock, the Company believes that it satisfied the Publicly-Traded Test for its 2019 taxable year and intends to take this position on its 2019 U.S. federal income tax returns.  Therefore, the Company does not expect to have any U.S. federal income tax liability for the year ended December 31, 2019.

**12.**     **Financial Instruments and Fair Value Disclosures**

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair values of long-term bank loans approximate the recorded values, due to their variable interest rates. The Company is exposed to interest rate fluctuations associated with its variable rate borrowings and its objective is to manage the impact of such fluctuations on earnings and cash flows of its borrowings. Currently, the company does not have any derivative instruments to manage such fluctuations.

|  |  |
| --- | --- |
| **13.** | **Segment Reporting** |

The Company has two reportable segments from which it derives its revenues, the tanker vessels segment and the container vessels segment.

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PERFORMANCE SHIPPING INC.

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The table below presents information about the Company’s reportable segments for the period ending December 31, 2019. The accounting policies followed in the preparation of the reportable segments are the same as those followed in the preparation of the Company’s consolidated financial statements.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Tanker vessels** | |  |  | **Container vessels** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |
| Revenues from external customers |  | $ | 6,224 |  |  | $ | 20,622 |  |  | $ | 26,846 |  |
| Depreciation and amortization of deferred charges |  |  | (745 | ) |  |  | (2,939 | ) |  |  | (3,684 | ) |
| Impairment losses |  |  | - |  |  |  | (31,629 | ) |  |  | (31,629 | ) |
| Loss on vessels' sale |  |  | - |  |  |  | (127 | ) |  |  | (127 | ) |
| Interest expense |  |  | (416 | ) |  |  | - |  |  |  | (416 | ) |
| Interest income |  |  | 32 |  |  |  | 226 |  |  |  | 258 |  |
| Segment profit / (loss) |  |  | 142 |  |  |  | (32,199 | ) |  |  | (32,057 | ) |
| Total assets |  |  | 81,898 |  |  |  | 48,671 |  |  |  | 130,569 |  |

**14.     Subsequent Events**

***(a)***    ***Share Repurchase Program:*** On January 14, 2020, the Company announced that its Board of Directors authorized a share repurchase program to purchase up to an aggregate of $6,000 of the Company’s common shares. The timing and amount of the repurchases are determined by the Company’s management team and depend on market conditions, capital allocation alternatives, applicable securities laws, and other factors. From inception on January 29, 2020, and until April 9, 2020, the Company has repurchased 452,768 common shares of $365 aggregate gross value. Common shares repurchased as part of this program are cancelled by the Company. The Board of Directors’ authorization of the repurchase program will expire on December 21, 2020.

***(b)***    ***Conversion of Series B-2 Preferred Shares and Re-purchase and Cancellation of the Company’s Remaining Series B-2 Preferred Shares:*** Subsequent to the balance sheet date and up to April 6, 2020, 1,100 of the 1,500 Series B-2 convertible preferred shares outstanding on December 31, 2019 (Note 8) were converted to 1,952,152 common shares, thus leaving 400 Series B-2 convertible preferred shares outstanding on April 6, 2020. On April 6, 2020, the Company’s BOD members approved the re-purchase of the Company’s outstanding Series B-2 Preferred Shares, previously issued to “Kalani” (Note 8 (d)), for a purchase price of $400. The Company, on April 7, 2020, entered into an agreement with “Kalani” for the re-purchase of all 400 Series B-2 convertible preferred shares outstanding, paid the purchase price of $400 and consequently cancelled the Series B-2 Preferred Shares.

***(c)***     ***Loan Drawdown under the First Amendment and Restatement Loan Agreement with Nordea and Vessel’s Delivery:*** On January 22, 2020, the Company drew down an amount of $14,000 from Nordea to partially finance the acquisition of the tanker vessel “P. Fos” (ex “Virgo Sun”), according to the terms of the first amendment and restatement loan agreement, dated December 23, 2019 (Note 6). The vessel was delivered to the Company on January 27, 2020 (Notes 4 and 7).

***(d)***    ***Sale of a Container Vessel:*** On January 24, 2020, the Company, through one of its subsidiaries, contracted to sell to unaffiliated parties the container vessel “Rotterdam”, for a gross sale price of $18,500. The vessel was delivered to her new owners on April 1, 2020 and the Company collected the sale proceeds.

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***(e)***     ***Acquisition of a Tanker Vessel:*** On February 14, 2020, the Company, through one of its subsidiaries, contracted to acquire from unaffiliated parties the tanker vessel “P. Kikuma” (ex “FSL Shanghai”), for a gross sale price of $26,000. The vessel was delivered to the Company on March 30, 2020 and the Company funded its acquisition with cash on hand and bank financing (see (i) below).

***(f)***     ***Appointment and Resignation of BOD Members and Executive Officers:*** On February 18, 2020, the Company’s Annual General Meeting of Shareholders approved the re-election of Mr. Antonios Karavias and the election of Mr. Andreas Nikolaos Michalopoulos as Class I Directors of the Company. Also, effective February 18, 2020, Mr. Anastasios Margaronis, Mr. Nikolaos Petmezas and Mr. Ioannis Zafirakis have resigned from the Company’s Board of Directors due to other business commitments. The Company’s Board of Directors has appointed Mr. Christos Glavanis and Mrs. Aliki Paliou to the Board of Directors, effective as of February 28, 2020, to fill the existing vacancies created by the resignations of Messrs Margaronis and Petmezas. Mr. Glavanis was also appointed as Chairman of the Company’s Compensation Committee. Finally, also effective February 28, 2020, Mr. Anastasios Margaronis has resigned from his position as the Company’s President, Mr. Ioannis Zafirakis has resigned as the Company’s Chief Strategy Officer and Secretary, and Mrs. Semiramis Paliou has resigned as the Company’s Chief Operating Officer, in order to devote substantially all of their business time to other endeavors. On the same date, Mr. Michalopoulos has been appointed as Secretary to replace Mr. Zafirakis. Since October 31, 2019, Mr. Andreas Michalopoulos also holds the position of Deputy Chief Executive Officer.

***(g)***    ***Termination of Steamship Agreement:*** On March 1, 2020, the Company terminated the Steamship agreement (Note 3), which was originally due to expire on March 31, 2020, at no cost.

***(h)***    ***Transfer of the Company’s Common Stock to NASDAQ Capital Market and Bid Price Second Grace Period:*** On March 5, 2020, NASDAQ approved the Company’s application to list its common stock on the Capital Market and the Company’s securities were transferred to Capital Market at the opening of business on March 6, 2020. Moreover, NASDAQ notified the Company that it has not been able to regain compliance to meet the minimum $1.00 bid price per share requirement until March 4, 2020, as previously notified (Note 8), however, it grants the Company an additional 180 calendar days, until August 31, 2020, in order to regain compliance.

***(i)***    ***Second Amendment and Restatement Loan Agreement with Nordea:*** On March 20, 2020, the Company signed a second amendment and restatement loan agreement with Nordea, which increases the maximum loan amount of up to $59,000. The purpose of the amended loan facility is to additionally finance the acquisition cost of the vessel “P. Kikuma” (ex “FSL Shanghai”), described above, by $12,000. The second amendment and restatement loan agreement includes identical terms to the first amendment and restatement loan agreement, dated December 23, 2019. On March 26, 2020 the Company drew down the amount of $12,000 in anticipation of the vessel’s “P. Kikuma” (ex “FSL Shanghai”), delivery (see (e) above).

***(j)***    ***Re-purchase and Cancellation of the Company’s Series C Preferred Shares:*** On March 23, 2020, the Company’s disinterested BOD members approved the repurchase of the Company’s 100 Series C Preferred Shares, held by Diana Shipping Inc. since 2017 (Note 8), for a purchase price of $1,500. The Company’s disinterested BOD members had previously received a fairness opinion from an independent third party that the transaction was fair from a financial point of view to the Company. On March 25, 2020, the Company agreed with DSI for the repurchase of the Series C Preferred Shares and on March 26, 2020,the Company paid the agreed purchase price and consequently cancelled the Series C Preferred Shares.

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***(k)***    ***Change of the Company’s Ticker Symbol in NASDAQ:*** Effective March 30, 2020, the Company’s ticker symbol has been changed from “DCIX” to “PSHG”.

***(l)***    ***Covid-19 Outbreak:*** On March 11, 2020, the World Health Organization declared the 2019 Novel Coronavirus (the “Covid-19”) outbreak a pandemic. In response to the outbreak, many countries, ports and organizations, including those where the Company conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. The Company’s financial and operating performance may be adversely affected by the recent coronavirus outbreak. Any prolonged restrictive measures in order to control the spread of Covid-19, or other adverse public health developments in Asia or in other geographies in which the Company’s vessels operate may significantly impact the demand for the Company’s vessels. The extent to which Covid-19 will impact the Company’s results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, and accordingly, an estimate of the impact cannot be made at this time.

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**Exhibit 2.7**

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, Performance Shipping Inc. (the “Company”) had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended:

|  |  |  |
| --- | --- | --- |
|  | (1) | Common stock, $0.01 par value (the “common shares”); and |

|  |  |  |
| --- | --- | --- |
|  | (2) | Preferred stock purchase rights (the “Preferred Stock Purchase Rights”). |

The following description sets forth certain material provisions of these securities. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of (i) the Company’s Amended and Restated Articles of Incorporation, as amended (the “Articles of Incorporation”) and (ii) the Company’s Amended and Restated Bylaws (the “Bylaws”), each of which is incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit is a part. We encourage you to refer to our Articles of Incorporation and Bylaws for additional information.

Please note in this description of securities, “we”, “us”, “our” and “the Company” all refer to Performance Shipping Inc. and its subsidiaries, unless the context requires otherwise.

**Authorized Capitalization**

Under our amended and restated articles of incorporation, our authorized capital stock consists of 500,000,000 common shares, par value $0.01 per share, of which 50,520,385 shares are currently issued and outstanding, and 25,000,000 preferred shares, par value $0.01 per share, of which no shares are issued and outstanding.

**DESCRIPTION OF COMMON SHARES**

The respective number of common shares issued and outstanding as of the last day of the fiscal year for the annual report on Form 20-F to which this description is attached or incorporated by reference as an exhibit, is provided on the cover page of such annual report on Form 20-F.

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of our preferred shares having liquidation preferences, if any, the holders of our common shares will be entitled to receive pro rata our remaining assets available for distribution. Holders of our common shares do not have conversion, redemption or preemptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of common shares are subject to the rights of the holders of our preferred shares, including our existing classes of preferred shares and any preferred shares we may issue in the future.

**Voting Rights**

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. At any annual or special general meeting of shareholders where there is a quorum, the affirmative vote of a majority of the votes cast by holders of shares of stock represented at the meeting shall be the act of the shareholders. (Under the Articles of Incorporation, at all meetings of shareholders except otherwise expressly provided by law, there must be present in person or proxy shareholders of record holding at least one third of the shares issued and outstanding and entitled to vote at such meeting in order to constitute a quorum but if less than a quorum is present, a majority of those shares present either in person or by proxy shall have power to adjourn any meeting until a quorum shall be present.)

Our Bylaws do not confer any conversion, redemption or preemptive rights attached to our common shares.

**Dividend Rights**

Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally

available for dividends.

**Liquidation Rights**

Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of our preferred shares having liquidation preferences, if any, the holders of our common shares will be entitled to receive pro rata our remaining assets available for distribution.

**Variation of Rights**

Generally, the rights or privileges attached to our common shares may be varied or abrogated by the rights of the holders of our preferred shares, including our existing classes of preferred shares and any preferred shares we may issue in the future.

**Limitations on Ownership**

Under Marshall Islands law generally, there are no limitations on the right of non-residents of the Marshall Islands or owners who are not citizens of the Marshall Islands to hold or vote our common shares.

**Description of Preferred Shares**

Our amended and restated articles of incorporation authorize our board of directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

|  |  |
| --- | --- |
| • | the designation of the series; |

|  |  |
| --- | --- |
| • | the number of shares of the series; |

|  |  |
| --- | --- |
| • | the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and |

|  |  |
| --- | --- |
| • | the voting rights, if any, of the holders of the series. |

**DESCRIPTION OF PREFERRED STOCK PURCHASE RIGHTS**

On August 29, 2016, we entered into a First Amended and Restated Stockholders Rights Agreement, as amended, the Rights Agreement, with Computershare Inc. as Rights Agent. The Rights Agreement amended and restated in its entirety the original Stockholders Rights Agreement between the Company and Mellon Investor Services LLC, dated as of August 2, 2010, as amended on July 28, 2014. Pursuant to the Rights Agreement, each share of our common stock includes one right, which we refer to as a Right, that entitles the holder to purchase from us a unit consisting of one one-thousandth of a share of our Series A Participating Preferred Stock at an exercise price of $50.00, 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.

The Rights may have anti-takeover effects. The Rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us. Because our board of directors can approve a redemption of the Rights or a permitted offer, the Rights should not interfere with a merger or other business combination approved by our board of directors.

We have summarized the material terms and conditions of the Rights Agreement and the related Rights below.

***Detachment of the Rights***

The Rights are attached to all certificates representing our currently outstanding common shares, or, in the case of uncertificated common shares registered in book entry form, which we refer to as "book entry shares," by notation in book entry accounts reflecting ownership, and will attach to all common share certificates and book entry shares we issue prior to the Rights distribution date that we describe below. The Rights are not exercisable until after the Rights distribution date and will expire at the close of business on August 2, 2020, unless we redeem or exchange them earlier as we describe below. The Rights will separate from the common stock and a Rights distribution date would occur, subject to specified exceptions, on the earlier of the following two dates:

|  |  |
| --- | --- |
| • | the 10th day after public announcement that a person or group has acquired ownership of 15% or more of the Company's common stock, or |

|  |  |
| --- | --- |
| • | the 10th business day (or such later date as determined by the Company's board of directors) after a person or group announces a tender or exchange offer which would result in that person or group holding 15% or more of the Company's common stock. |

"Acquiring person" is generally defined in the Rights Agreement as any person, together with all affiliates or associates, who beneficially owns 15% or more of the Company's common stock. However, neither (i) Diana Shipping Inc. nor (ii) Symeon Palios nor any of Symeon Palios’ Affiliates shall be considered an "acquiring person." In addition, persons who beneficially own 15% or more of the Company's common stock on the effective date of the Rights Agreement are excluded from the definition of "acquiring person" until such time as they acquire additional shares in excess of 1% of the Company's then outstanding common stock as specified in the Rights Agreement for purposes of the Rights, and therefore, until such time, their ownership cannot trigger the Rights. Specified "inadvertent" owners that would otherwise become an acquiring person, including those who would have this designation as a result of repurchases of common stock by us, will not become acquiring persons as a result of those transactions.

Our board of directors may defer the Rights distribution date in some circumstances, and some inadvertent acquisitions will not result in a person becoming an acquiring person if the person promptly divests itself of a sufficient number of common shares.

Until the Rights distribution date:

|  |  |
| --- | --- |
| • | our common stock certificates and book entry shares will evidence the Rights, and the Rights will be transferable only with those certificates and book entry shares, as applicable; and |

|  |  |
| --- | --- |
| • | any new common stock will be issued with Rights and new certificates or book entry shares, as applicable, will contain a notation incorporating the Rights Agreement by reference. |

As soon as practicable after the Rights distribution date, the Rights Agent will mail certificates representing the Rights to holders of record of common stock at the close of business on that date. After the Rights distribution date, only separate Rights certificates will represent the Rights.

We will not issue Rights with any shares of common stock we issue after the Rights distribution date, except as our board of directors may otherwise determine.

***Flip-In Event***

A "flip-in event" will occur under the Rights Agreement when a person becomes an acquiring person other than pursuant to certain kinds of permitted offers. An offer is permitted under the Rights Agreement if a person will become an acquiring person pursuant to a merger or other acquisition agreement that has been approved by our board of directors prior to that person becoming an acquiring person.

If a flip-in event occurs and we have not previously redeemed the Rights as described under the heading "Redemption of Rights" below or, if the acquiring person acquires less than 50% of our outstanding common stock and we do not exchange the Rights as described under the heading "Exchange of Rights" below, each Right, other than any Right that has become void, as we describe below, will become exercisable at the time it is no longer redeemable for the number of shares of common stock, or, in some cases, cash, property or other of our securities, having a current market price equal to two times the exercise price of such Right.

When a flip-in event occurs, all Rights that then are, or in some circumstances that were, beneficially owned by or transferred to an acquiring person or specified related parties will become void in the circumstances the Rights Agreement specifies.

***Flip-Over Event***

A "flip-over event" will occur under the Rights Agreement when, at any time after a person has become an acquiring person:

|  |  |
| --- | --- |
| • | we are acquired in a merger or other business combination transaction, other than specified mergers that follow a permitted offer of the type we describe above; or |

|  |  |
| --- | --- |
| • | 50% or more of our assets or earning power is sold or transferred. |

If a flip-over event occurs, each holder of a Right, other than any Right that has become void as we describe under the heading "Flip-In Event" above, will have the right to receive the number of shares of common stock of the acquiring company which has a current market price equal to two times the exercise price of such Right.

***Anti-dilution***

The number of outstanding Rights associated with our common stock is subject to adjustment for any stock split, stock dividend or subdivision, combination or reclassification of our common stock occurring prior to the Rights distribution date. With some exceptions, the Rights Agreement will not require us to adjust the exercise price of the Rights until cumulative adjustments amount to at least 1% of the exercise price. It also will not require us to issue fractional shares of our preferred stock that are not integral multiples of one-thousandth of a share, and, instead we may make a cash adjustment based on the market price of the common stock on the last trading date prior to the date of exercise.

***Redemption of Rights***

At any time until the date on which the occurrence of a flip-in event is first publicly announced, we may order redemption of the Rights in whole, but not in part, at a redemption price of $0.01 per Right. The redemption price is subject to adjustment for any stock split, stock dividend or similar transaction occurring before the date of redemption. At our option, we may pay that redemption price in cash or shares of common stock. The Rights are not exercisable after a flip-in event if they are timely redeemed by us or until ten days following the first public announcement of a flip-in event. If our board of directors timely orders the redemption of the Rights, the Rights will terminate on the effectiveness of that action.

***Exchange of Rights***

We may, at our option, exchange the Rights (other than Rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which have become void), in whole or in part. The exchange will be at an exchange ratio of one share of common stock per Right, subject to specified adjustments at any time after the occurrence of a flip-in event and prior to any person other than us or our existing stockholders becoming the beneficial owner of 50% or more of our outstanding common stock for the purposes of the Rights Agreement.

***Amendment of Terms of Rights***

During the time the Rights are redeemable, we may amend any of the provisions of the Rights Agreement, other than by decreasing the redemption price. Once the Rights cease to be redeemable, we generally may amend the provisions of the Rights Agreement, other than to decrease the redemption price, only as follows:

|  |  |
| --- | --- |
| • | to cure any ambiguity, defect or inconsistency; |

|  |  |
| --- | --- |
| • | to make changes that do not materially adversely affect the interests of holders of Rights, excluding the interests of any acquiring person; or |

|  |  |
| --- | --- |
| • | to shorten or lengthen any time period under the Rights Agreement, except that we cannot lengthen the time period governing redemption or lengthen any time period that protects, enhances or clarifies the benefits of holders of Rights other than an acquiring person. |

**Directors**

Our directors are elected by a plurality of the votes cast by shareholders entitled to vote. There is no provision for cumulative voting.

Our board of directors must consist of at least three members. Our amended and restated articles of incorporation provide that the board of directors may only change the number of directors by a vote of not less than two-thirds of the entire board. Directors are elected annually on a staggered basis, and each shall serve for a three-year term and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. Our board of directors has the authority to fix the amounts which shall be payable to the members of the board of directors for attendance at any meeting or for services rendered to us.

**Shareholder Meetings**

Under our amended and restated bylaws, annual shareholder meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside the Marshall Islands. Special meetings may be called for any purpose or purposes at any time by a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting. Shareholders of record holding at least one-third of the shares issued and outstanding and entitled to vote at such meetings, present in person or by proxy, will constitute a quorum at all meetings of shareholders.

**Dissenters' Rights of Appraisal and Payment**

Under the Marshall Islands Business Corporations Act, or the BCA, our shareholders have the right to dissent from various corporate actions, including any merger or consolidation sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of our amended and restated articles of incorporation a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which the Company's shares are primarily traded on a local or national securities exchange.

**Shareholders' Derivative Actions**

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

**Limitations on Liability and Indemnification of Officers and Directors**

The BCA authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties.

Our amended and restated bylaws provide that certain individuals, including our directors and officers, are entitled to be indemnified by us to the extent authorized by the BCA, if such individuals acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. We shall have the power to pay in advance expenses a director or officer incurred while defending a civil or criminal proceeding, subject to certain conditions. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our amended and restated bylaws may discourage shareholders from bringing a lawsuit against our directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against our directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against our directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

**Anti-takeover Effect of Certain Provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws**

Several provisions of our amended and restated articles of incorporation and amended and restated bylaws may have anti-takeover effects. These provisions, which are summarized below, are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions could also discourage, delay or prevent (i) the merger or acquisition of our Company by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (ii) the removal of incumbent officers and directors.

***Blank Check Preferred Stock***

Under the terms of our amended and restated articles of incorporation, our board of directors has authority, without any further vote or action by our shareholders, to issue up to 25,000,000 shares of blank check preferred stock. Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

***Classified Board of Directors***

Our amended and restated articles of incorporation provide for the division of our board of directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms. Approximately one-third of our board of directors is elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our board of directors from removing a majority of our board of directors for two years.

***Election and Removal of Directors***

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our amended and restated bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our amended and restated articles of incorporation also provide that our directors may be removed only for cause and only upon the affirmative vote of two-thirds of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

***Limited Actions by Shareholders***

Under the BCA, our amended and restated articles of incorporation and our amended and restated bylaws, any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our amended and restated articles of incorporation and amended and restated bylaws provide that, unless otherwise prescribed by law, only a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director may call special meetings of our shareholders, and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may be prevented from calling a special meeting for shareholder consideration of a proposal over the opposition of our board of directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

***Advance Notice Requirements for Shareholder Proposals and Director Nominations***

Our amended and restated bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 150 days nor more than 180 days prior to the one-year anniversary of the preceding year's annual meeting. Our amended and restated bylaws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

**Registrar and Transfer Agent**

The Board of Directors has the power and authority to make such rules and regulations as they may deem expedient concerning the issuance, registration and transfer of shares of the Company’s stock, and may appoint transfer agents and registrars thereof.

**Listing**

Our common shares are listed on The Nasdaq Capital Market under the symbol "PSHG."

**Comparison of Marshall Island Law to Delaware Law**

The following table provides a comparison between some statutory provisions of the Delaware General Company Law and the Marshall Islands Business Corporations Act relating to shareholders’ rights.

|  |  |  |
| --- | --- | --- |
| **Marshall Islands** |  | **Delaware** |
| **Shareholder Meetings** | | |
| Held at a time and place as designated in the bylaws. |  | May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors. |
|  |  | |
| Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the articles of incorporation or by the bylaws. |  | Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws. |
|  |  | |
| May be held within or without the Marshall Islands. |  | May be held within or without Delaware. |
|  |  | |
| Notice: |  | Notice: |
|  |  | |
| Whenever shareholders are required to take any action at a meeting, written notice of the meeting shall be given which shall state the place, date and hour of the meeting and, unless it is an annual meeting, indicate that it is being issued by or at the direction of the person calling the meeting. Notice of a special meeting shall also state the purpose for which the meeting is called. |  | Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any. |
|  |  | |
| A copy of the notice of any meeting shall be given personally, sent by mail or by electronic mail not less than 15 nor more than 60 days before the meeting. |  | Written notice shall be given not less than 10 nor more than 60 days before the meeting. |
|  | | |

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| --- | --- | --- |
| **Marshall Islands** |  | **Delaware** |

|  |  |  |
| --- | --- | --- |
| **Shareholders’ Voting Rights** | | |
| Unless otherwise provided in the articles of incorporation, any action required to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by all the shareholders entitled to vote with respect to the subject matter thereof, or if the articles of incorporation so provide, by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. |  | Any action required to be taken at a meeting of shareholders may be taken without a meeting if a consent for such action is in writing and is signed by shareholders having not fewer than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. |
|  |  | |
| Any person authorized to vote may authorize another person or persons to act for him by proxy. |  | Any person authorized to vote may authorize another person or persons to act for him by proxy. |
|  | | |
| Unless otherwise provided in the articles of incorporation or bylaws, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting. |  | For stock corporations, the certificate of incorporation or bylaws may specify the number of shares required to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum. |
|  |  | |
| When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders. |  | When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders. |
|  |  | |
| The articles of incorporation may provide for cumulative voting in the election of directors. |  | The certificate of incorporation may provide for cumulative voting in the election of directors. |
|  | | |
| **Merger or Consolidation** | | |
| Any two or more domestic corporations may merge into a single corporation if approved by the board and if authorized by a majority vote of the holders of outstanding shares at a shareholder meeting. |  | Any two or more corporations existing under the laws of the state may merge into a single corporation pursuant to a board resolution and upon the majority vote by shareholders of each constituent corporation at an annual or special meeting. |
|  |  | |
| Any sale, lease, exchange or other disposition of all or substantially all the assets of a corporation, if not made in the corporation’s usual or regular course of business, once approved by the board, shall be authorized by the affirmative vote of two-thirds of the shares of those entitled to vote at a shareholder meeting. |  | Every corporation may at any meeting of the board sell, lease or exchange all or substantially all of its property and assets as its board deems expedient and for the best interests of the corporation when so authorized by a resolution adopted by the holders of a majority of the outstanding stock of the corporation entitled to vote. |
|  |  | |
| Any domestic corporation owning at least 90% of the outstanding shares of each class of another domestic corporation may merge such other corporation into itself without the authorization of the shareholders of any corporation. |  | Any corporation owning at least 90% of the outstanding shares of each class of another corporation may merge the other corporation into itself and assume all of its obligations without the vote or consent of shareholders; however, in case the parent corporation is not the surviving corporation, the proposed merger shall be approved by a majority of the outstanding stock of the parent corporation entitled to vote at a duly called shareholder meeting. |
|  |  | |
| Any mortgage, pledge of or creation of a security interest in all or any part of the corporate property may be authorized without the vote or consent of the shareholders, unless otherwise provided for in the articles of incorporation. |  | Any mortgage or pledge of a corporation’s property and assets may be authorized without the vote or consent of shareholders, except to the extent that the certificate of incorporation otherwise provides. |

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| --- | --- | --- |
| **Marshall Islands** |  | **Delaware** |

|  |  |  |
| --- | --- | --- |
|  | | |
| **Directors** | | |
| The board of directors must consist of at least one member. |  | The board of directors must consist of at least one member. |
|  |  | |
| The number of board members may be changed by an amendment to the bylaws, by the shareholders, or by action of the board under the specific provisions of a bylaw. |  | The number of board members shall be fixed by, or in a manner provided by, the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by an amendment to the certificate of incorporation. |
|  |  |  |
| If the board is authorized to change the number of directors, it can only do so by a majority of the entire board and so long as no decrease in the number shall shorten the term of any incumbent director. |  | If the number of directors is fixed by the certificate of incorporation, a change in the number shall be made only by an amendment of the certificate. |
|  |  | |
| Removal: |  | Removal: |
|  |  |  |
| Any or all of the directors may be removed for cause by vote of the shareholders. |  | Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote unless the certificate of incorporation otherwise provides. |
|  |  | |
| If the articles of incorporation or the bylaws so provide, any or all of the directors may be removed without cause by vote of the shareholders. |  | In the case of a classified board, shareholders may effect removal of any or all directors only for cause. |
|  | | |
| **Dissenters’ Rights of Appraisal** | | |
| Shareholders have a right to dissent from any plan of merger, consolidation or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their shares. However, the right of a dissenting shareholder under the BCA to receive payment of the appraised fair value of his shares shall not be available for the shares of any class or series of stock, which shares or depository receipts in respect thereof, at the record date fixed to determine the shareholders entitled to receive notice of and to vote at the meeting of the shareholders to act upon the agreement of merger or consolidation, were either (i) listed on a securities exchange or admitted for trading on an interdealer quotation system or (ii) held of record by more than 2,000 holders. The right of a dissenting shareholder to receive payment of the fair value of his or her shares shall not be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the shareholders of the surviving corporation. |  | Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation, subject to limited exceptions, such as a merger or consolidation of corporations listed on a national securities exchange in which listed stock is offered for consideration is (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders. |
|  |  | |
| A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment: |  |  |
|  |  | |

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| --- | --- | --- |
| **Marshall Islands** |  | **Delaware** |

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| --- | --- | --- |
|  | • | Alters or abolishes any preferential right of any outstanding shares having preference; or |

|  |  |  |
| --- | --- | --- |
|  | • | Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or |

|  |  |  |
| --- | --- | --- |
|  | • | Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or |

|  |  |  |
| --- | --- | --- |
|  | • | Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class. |

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| **Shareholder’s Derivative Actions** | | |
| An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law. |  | In any derivative suit instituted by a shareholder of a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder’s stock thereafter devolved upon such shareholder by operation of law. |
|  |  | |
| A complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort. |  | Other requirements regarding derivative suits have been created by judicial decision, including that a shareholder may not bring a derivative suit unless he or she first demands that the corporation sue on its own behalf and that demand is refused (unless it is shown that such demand would have been futile). |
| Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of the Marshall Islands. |  |  |
|  |  | |
| Reasonable expenses including attorney’s fees may be awarded if the action is successful. |  |  |
|  |  | |
| A corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of outstanding shares or holds voting trust certificates or a beneficial interest in shares representing less than 5% of any class of such shares and the shares, voting trust certificates or beneficial interest of such plaintiff has a fair value of  $50,000 or less. |  |  |

**Exhibit 4.11**

**Second Amendment and Restatement Agreement re Secured LoanFacility Agreement dated 24 July 2019**

**Dated 20 March 2020**

|  |  |
| --- | --- |
| **(1)** | **Taburao Shipping Company Inc.Tarawa Shipping Company Inc.Rongelap Shipping Company Inc.Toka Shipping Company Inc.(as borrowers)** |

|  |  |
| --- | --- |
| **(2)** | **Performance Shipping Inc.(as guarantor)** |

|  |  |
| --- | --- |
| **(3)** | **Nordea Bank Abp, filial i Norge(as lender)** |

|  |  |
| --- | --- |
| **(4)** | **Nordea Bank Abp, filial i Norge(as arranger)** |

|  |  |
| --- | --- |
| **(5)** | **Nordea Bank Abp, filial i Norge(as agent)** |

|  |  |
| --- | --- |
| **(6)** | **Nordea Bank Abp(as swap provider)** |

|  |  |
| --- | --- |
| **(7)** | **Nordea Bank Abp, filial i Norge(as security agent)** |

|  |  |
| --- | --- |
| **Stephenson Harwood LLP**  **Ariston Building. 2nd Floor**  **Filellinon 2 & Akb** Miaouti. 185 36 Praeus. Greece  T +30 210 429 5160 I F +30 210 429 5166  wwwshlegal.corn |  |

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**Amendment and Restatement Agreement**

**Dated 20 March 2020**

**Between:**

|  |  |
| --- | --- |
| (1) | **Taburao Shipping Company Inc.** ("**Taburao**"), **Tarawa Shipping Company Inc.** ("**Tarawa**"), and **Rongelap Shipping Company Inc.** ("**Rongelap**" and together with Taburao and Tarawa, the "**Original Borrowers**) and **Toka Shipping Company Inc.** (the "**New 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, Marshall Islands MH 96960 (together, the "**Borrowers**"); and |

|  |  |
| --- | --- |
| (2) | **Performance Shipping Inc.**, a company incorporated according to the law of the Republic of the Marshall Islands, whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the "**Guarantor**"); and |

|  |  |
| --- | --- |
| (3) | the banks listed in Schedule 1, each acting through its office at the address indicated against its name in Schedule 1 (together the "**Lenders**" and each a "**Lender**"); and |

|  |  |
| --- | --- |
| (4) | **Nordea Bank Abp, filial i Norge**, acting as arranger through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity the "**Arranger**"); and |

|  |  |
| --- | --- |
| (5) | **Nordea Bank Abp, filial i Norge**, acting as agent through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity the "**Agent**"); and |

|  |  |
| --- | --- |
| (6) | **Nordea Bank Abp**, acting as swap provider through its office at c/o Nordea Danmark, Filial of Nordea Bank Abp, Finland, 7288 Derivative Services, PO Box 850, DK-0900 Copenhagen K, Denmark (in that capacity the "**Swap Provider**"); and |

|  |  |
| --- | --- |
| (7) | **Nordea Bank Abp, filial i Norge**, acting as security agent through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity the "**Security Agent**"). |

**Supplemental to** a secured loan agreement dated 24 July 2019 as amended and restated by a first amendment and restatement agreement dated 23 December 2019 (the "**Loan Agreement**")made between the Original Borrowers, the Guarantor, the Lenders, the Arranger, the Agent, the Swap Provider and the Security Agent on the terms and subject to the conditions of which each of the Lenders agreed to advance to the Original Borrowers its respective Commitment of an aggregate amount not exceeding $47,000,000.

**Whereas** the Original Borrowers have requested the Finance Parties to amend and restate the Loan Agreement in the form attached to this Amendment and Restatement Agreement at Schedule 4.

**It is agreed that:**

|  |  |
| --- | --- |
| **1** | **Interpretation** |

|  |  |
| --- | --- |
| 1.1 | In this Amendment and Restatement Agreement: |

Page 1

"**Effective Date**"means the date on which the Agent confirms to the Borrowers and the other Obligors in writing substantially in the form set out in Schedule 2 that all of the conditions referred to in Clause 2.1 have been satisfied, which confirmation the Agent shall be under no obligation to give if either (a) those conditions are not satisfied prior to 30 April 2020 or (b) a Default shall have occurred.

"**Finance Parties**" means the Arranger, the Agent, the Security Agent, the Swap Provider and the Lenders.

"**Obligors**" means all parties to this Amendment and Restatement Agreement other than the Finance Parties and "**Obligor**" means any one of them.

**"UOT Manager's Undertaking Amendment**" means the amendment agreement to the manager's undertaking in respect of Vessel A dated 5 August 2019 and granted by UOT in favour of the Security Agent, such amendment agreement to be in form and substance acceptable to the Agent.

|  |  |
| --- | --- |
| 1.2 | All words and expressions defined in the Loan Agreement shall have the same meaning when used in this Amendment and Restatement Agreement unless the context otherwise requires, and clause 1.2 of the Loan Agreement shall apply to the interpretation of this Amendment and Restatement Agreement as if it is set out in full. |

|  |  |
| --- | --- |
| 1.3 | The Agent and the Borrowers hereby designate this Amendment and Restatement Agreement as a Finance Document. |

|  |  |
| --- | --- |
| 1.4 | All obligations, representations, warranties, covenants and undertakings of the Borrowers under or pursuant to this Amendment and Restatement Agreement shall, unless otherwise expressly provided, be entered into, made or given by them jointly and severally. |

|  |  |
| --- | --- |
| **2** | **Conditions** |

|  |  |
| --- | --- |
| 2.1 | As conditions for the agreement of the Finance Parties to amend and restate the Loan Agreement in the form attached to this Amendment and Restatement Agreement at Schedule 4, the Borrowers shall deliver or cause to be delivered to or to the order of the Agent all of the documents and other evidence listed in Schedule 3. |

|  |  |
| --- | --- |
| 2.2 | All documents and evidence delivered to the Agent pursuant to Clause 2.1 shall: |

|  |  |  |
| --- | --- | --- |
|  | 2.2.1 | be in form and substance acceptable to the Agent; |

|  |  |  |
| --- | --- | --- |
|  | 2.2.2 | if required by the Agent, be certified, notarised, legalised or attested in a manner acceptable to the Agent. |

|  |  |
| --- | --- |
| **3** | **Representations** |

|  |  |
| --- | --- |
| 3.1 | Each of the representations contained in clause 20 of the Loan Agreement shall be deemed repeated by the Borrowers and the Guarantor at the date of this Amendment and Restatement Agreement and at the Effective Date, by reference to the facts and circumstances then pertaining, as if references to the Finance Documents include this Amendment and Restatement Agreement. |

Page 2

|  |  |
| --- | --- |
| 3.2 | Any representation made by an Obligor in any of the Security Documents to which it is a party shall be deemed repeated by that Obligor at the date of this Amendment and Restatement Agreement and at the Effective Date, by reference to the facts and circumstances then pertaining. |

|  |  |
| --- | --- |
| **4** | **Amendment and restatement of Loan Agreement and amendments to the Security Documents** |

With effect from the Effective Date:

|  |  |
| --- | --- |
| 4.1 | the Loan Agreement shall be read and construed as if its text is replaced by the text of the amended and restated loan agreement attached to this Amendment and Restatement Agreement as Schedule 4; and |

|  |  |
| --- | --- |
| 4.2 | each Security Document shall, to the extent necessary, be modified to reflect the amendment and restatement of the Loan Agreement made in this Amendment and Restatement Agreement. |

|  |  |
| --- | --- |
| **5** | **Confirmations and Undertakings** |

|  |  |
| --- | --- |
| 5.1 | Each of the Obligors confirms that all of its respective obligations under or pursuant to each of the Security Documents to which it is a party remain in full force and effect, despite the amendment and restatement of the Loan Agreement made in this Amendment and Restatement Agreement, as if all references in any of the Security Documents to the Loan Agreement are references to the Loan Agreement as amended and restated In this Amendment and Restatement Agreement and that any security created under such Security Documents shall be extended to secure all liabilities of the Obligors under the Loan Agreement as amended by this Amendment and Restatement Agreement. |

|  |  |
| --- | --- |
| 5.2 | Each of the Original Borrowers further agrees and confirms that in each of the following documents: |

|  |  |  |
| --- | --- | --- |
|  | 5.2.1 | account charge agreement dated 7 August 2019 entered into between Taburao and the Security Agent; |

|  |  |  |
| --- | --- | --- |
|  | 5.2.2 | account charge agreement dated 7 August 2019 entered into between Tarawa and the Security Agent; and |

|  |  |  |
| --- | --- | --- |
|  | 5.2.3 | account charge agreement dated 27 January 2020 entered into between Rongelap and the Security Agent, |

the principal amount of the Secured Obligations (as defined therein) referred to in Clause 2(b) of each such document, shall be increased to USD 70,800,000 (in addition to interest, default interest, costs and expenses).

|  |  |
| --- | --- |
| 5.3 | The definition of any term defined in any of the Security Documents shall, to the extent necessary, be modified to reflect the amendment and restatement of the Loan Agreement made in this Amendment and Restatement Agreement. |

|  |  |
| --- | --- |
| 5.4 | Within 5 days after the Effective Date the Borrowers shall deliver or cause to be delivered to or to the order of the Agent such of the legal opinions specified in Schedule 3 as have not already been provided to the Agent. |

Page 3

|  |  |
| --- | --- |
| 5.5 | The provisions of Clause 2.2 shall apply to all the documents and evidence delivered to the Agent pursuant to Clause 5.4. |

|  |  |
| --- | --- |
| **6** | **Notices, Counterparts, Governing Law and Enforcement** |

The provisions of clauses 33, 40, 42 and 43 of the Loan Agreement shall apply to this Amendment and Restatement Agreement as if they are set out in full and as if (a) references to each Party are references to each party to this Amendment and Restatement Agreement, (b) references to the Finance Documents include this Amendment and Restatement Agreement and (c) references to a Borrower are references to each Obligor other than the Guarantor.

Page 4

**Schedule 1**

**The Lenders**

|  |  |  |
| --- | --- | --- |
| **Names** |  |  |
|  |  |  |
| **Name of Original Lender** | **Address of lending office** |  |
|  |  |  |
| Nordea Bank Abp, filial i Norge | Essendrops gate 7, N-0368 Oslo, Norway |  |

Page 5

**Schedule 2**

**Effective Date Confirmation**

|  |  |
| --- | --- |
| To: | **Taburao Shipping Company Inc.Tarawa Shipping Company Inc.Rongelap Shipping Company Inc.Toka Shipping Company Inc.Performance Shipping Inc.**Trust Company ComplexAjeltake Road, Ajeltake IslandMajuroMarshall Islands, MH96960 |

We, **Nordea Bank Abp, filial i Norge,** refer to the second amendment and restatement agreement dated                                   2020 (the "**Amendment and Restatement Agreement**")relating to a secured loan agreement dated 24 July 2019 as amended and restated by a first amendment and restatement agreement dated 23 December 2019 (the "**Loan Agreement**")made between the above named Taburao Shipping Company Inc., Tarawa Shipping Company Inc., Rongelap Shipping Company Inc. and Toka Shipping Company Inc. as the Borrowers, Performance Shipping Inc. as the Guarantor, the banks listed in it as the Lenders, ourselves as the Arranger, ourselves as the Agent, a certain party as the Swap Provider and ourselves as the Security Agent in respect of a loan to the Borrowers from the Lenders of up to $59,000,000.

We hereby confirm that all conditions precedent referred to in Clause 2.1 of the Amendment and Restatement Agreement have been satisfied. In accordance with Clauses 1.1 and 4 of the Amendment and Restatement Agreement the Effective Date is the date of this confirmation and the amendment and restatement of the Loan Agreement are now effective.

Dated                                           2020

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

For and on behalf of**Nordea Bank Abp, filial i Norge**

Page 6

**Schedule 3**

**Conditions Precedent**

|  |  |
| --- | --- |
| 1 | **Obligors** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Constitutional documents** Copies of the constitutional documents of the New Borrower together with such other evidence as the Agent may reasonably require that the New Borrower is duly incorporated in its country of incorporation and remains in existence with power to enter into, and perform its obligations under, this Amendment and Restatement Agreement and any document to be executed by the New Borrower pursuant to this Amendment and Restatement Agreement. |

|  |  |  |
| --- | --- | --- |
|  | (b) | **Certificates of good standing** A certificate of good standing in respect of each Obligor and UOT (if such a certificate can be obtained). |

|  |  |  |
| --- | --- | --- |
|  | (c) | **Board resolutions** A copy of a resolution of the board of directors of each Obligor (other than the Guarantor) and UOT and a copy of a resolution of the executive committee of the board of directors of the Guarantor: |

|  |  |  |
| --- | --- | --- |
|  | (i) | approving the terms of, and the transactions contemplated by, this Amendment and Restatement Agreement and any document to be executed by that Obligor and UOT pursuant to this Amendment and Restatement Agreement and resolving that it execute this Amendment and Restatement Agreement and any such document; and |

|  |  |  |
| --- | --- | --- |
|  | (ii) | authorising a specified person or persons to execute this Amendment and Restatement Agreement and any such document (including all documents and notices to be signed and/or dispatched under any such document) on its behalf. |

|  |  |  |
| --- | --- | --- |
|  | (d) | **Copy passports** A copy of the passport of each person authorised by the resolutions referred to in (c). |

|  |  |  |
| --- | --- | --- |
|  | (e) | **Shareholder resolutions** A copy of a resolution signed by all the holders of the issued shares in each Obligor (other than the Guarantor) and UOT, approving the terms of, and the transactions contemplated by, this Amendment and Restatement Agreement and any document to be executed by that Obligor pursuant to this Amendment and Restatement Agreement. |

|  |  |  |
| --- | --- | --- |
|  | (f) | **Officer's certificates** An original certificate of a duly authorised officer of each Obligor and UOT: |

|  |  |  |
| --- | --- | --- |
|  | (i) | certifying that each copy document relating to it specified in this Schedule 3 is correct, complete and in full force and effect; |

|  |  |  |
| --- | --- | --- |
|  | (ii) | setting out the names of (a) the directors and officers of that Obligor and UOT and (b) the shareholders of that Obligor (other than the Guarantor) and UOT and the proportion of shares held by each shareholder; and |

Page 7

|  |  |  |
| --- | --- | --- |
|  | (iii) | confirming that none of the documents delivered to the Agent pursuant to clauses 4,1 and 4.3 of the Loan Agreement have been amended or modified in any way since the date of their delivery to the Agent, or certifying copies, as true, complete, accurate and neither amended nor revoked, of any which have been amended or modified. |

|  |  |  |
| --- | --- | --- |
|  | (g) | **Powers of attorney** The original notarially attested and legalised power of attorney of each of the Obligors and UOT under which this Amendment and Restatement Agreement and any document to be executed by that Obligor and UOT pursuant to this Amendment and Restatement Agreement are to be executed by that Obligor and UOT. |

|  |  |
| --- | --- |
| 2 | **Legal opinions** |

The following legal opinions, each addressed to the Agent, the Security Agent and the Lenders and capable of being relied upon by any persons who become Lenders pursuant to the primary syndication of the Loan:

|  |  |  |
| --- | --- | --- |
|  | (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 Amendment and Restatement Agreement; |

|  |  |  |
| --- | --- | --- |
|  | (b) | a legal opinion of Ince & Co to the Agent as to Marshall Islands law. |

|  |  |
| --- | --- |
| 3 | **Vessel Documents** |

|  |  |  |
| --- | --- | --- |
|  | (a) | The UOT Manager's Undertaking Amendment duly executed. |

|  |  |  |
| --- | --- | --- |
|  | (b) | In respect of Vessel A, the ISM Company's current DOC. |

|  |  |
| --- | --- |
| 4 | **Other documents and evidence** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Process agent** Evidence that any process agent appointed pursuant to Clause 6 has accepted its appointment. |

|  |  |  |
| --- | --- | --- |
|  | (b) | **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 Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by this Amendment and Restatement Agreement or for the validity and enforceability of this Amendment and Restatement Agreement and any document to be executed pursuant to this Amendment and Restatement Agreement. |

|  |  |  |
| --- | --- | --- |
|  | (**c)** | "**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 this Amendment and Restatement Agreement. |

Page 8

**Schedule 4**

**Form of Amended and Restated Loan Agreement**

Page 9

Page 10

**US$59,000,000 Secured Loan Agreement**

**Dated 24 July 2019**

|  |  |
| --- | --- |
| **(1)** | **Taburao Shipping Company Inc.Tarawa Shipping Company Inc.Rongelap Shipping Company Inc.Toka Shipping Company Inc.(as Borrowers)** |

|  |  |
| --- | --- |
| **(2)** | **Performance Shipping Inc.(as Original Guarantor)** |

|  |  |
| --- | --- |
| **(3)** | **The Financial Institutionslisted in Schedule 1(as Original Lenders)** |

|  |  |
| --- | --- |
| **(4)** | **Nordea Bank Abp, filial i Norge(as Arranger)** |

|  |  |
| --- | --- |
| **(5)** | **Nordea Bank Abp, filial i Norge(as Agent)** |

|  |  |
| --- | --- |
| **(6)** | **Nordea Bank Abp(as Swap Provider)** |

|  |  |
| --- | --- |
| **(7)** | **Nordea Bank Abp, filial i Norge(as Security Agent)** |

|  |  |
| --- | --- |
| **Stephenson Harwood LLP**  **Ariston Building. 2nd Floor**  **Filellinon 2 & Akb** Miaouti. 185 36 Praeus. Greece  T +30 210 429 5160 I F +30 210 429 5166  wwwshlegal.corn |  |

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**Loan Agreement**

**Dated 24 July 2019**

**Between:**

|  |  |
| --- | --- |
| (1) | **Taburao Shipping Company Inc.** ("**Borrower A**"), **Tarawa Shipping Company Inc.** ("**Borrower B**"), **Rongelap Shipping Company Inc.** ("**Borrower C**") **and Toka Shipping Company Inc.** ("**Borrower D**")**,** each a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MI-I 96960 (together, the "**Borrowers**" and each a "**Borrower**") jointly and severally; and |

|  |  |
| --- | --- |
| (2) | **Performance Shipping Inc**., a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the "**Original Guarantor**"); and |

|  |  |
| --- | --- |
| (3) | **The Financial Institutions** listed in Schedule 1 (*The Parties*),each acting through its Facility Office (together, the "**Original Lenders**" and each an "**Original Lender"**); and |

|  |  |
| --- | --- |
| (4) | **Nordea Bank Abp, filial i Norge**, acting as arranger through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity, the "**Arranger**"); and |

|  |  |
| --- | --- |
| (5) | **Nordea Bank Abp, filial i Norge**, acting as agent through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity, the "Agent"); and |

|  |  |
| --- | --- |
| (6) | **Nordea Bank Abp**, acting as swap provider through its office at c/o Nordea Danmark, Filial of Nordea Bank Abp, Finland, 7288 Derivative Services, PO Box 850, DK-0900 Copenhagen K, Denmark (in that capacity, the "**Swap Provider**"); and |

|  |  |
| --- | --- |
| (7) | **Nordea Bank Abp, filial i Norge**, acting as security agent through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity, the "**Security Agent**"). |

**It is agreed** as follows:

Page 1

|  |  |
| --- | --- |
| **Section 1** | **Interpretation** |

|  |  |
| --- | --- |
| **1** | **Definitions and Interpretation** |

|  |  |
| --- | --- |
| 1.1 | **Definitions** In this Agreement: |

"**Accession Deed**"means a document substantially in the form set out in Schedule 6 (*Form of Accession Deed*).

"**Accounting Information**"means the quarterly unaudited financial statements and/or the annual audited consolidated financial statements and/or other information to be provided by the Original Guarantor to the Agent in accordance with Clause 21.1 (*Financial Statements*).

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

"**Account Holder**"means Nordea Bank Abp, filial i Norge, acting through its branch at Essendrops gate 7, N-0368 Oslo, Norway or any other bank or financial institution which at any time, with the Security Agent's prior written consent, holds the Earnings Accounts.

"**Account Security Deeds**"means the first priority account security deeds in respect of all amounts from time to time standing to the credit of the Earrings Accounts.

"**Additional Guarantor**"means a company which becomes an Additional Guarantor in accordance with Clause 26 (*Changes to the Obligors*).

"**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.

"**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 Shipbroker**"means each of Clarkson Platou, Fearnleys SSY, Braemar, Arrows, Maersk Broker, Vessels Value Ltd. and any other reputable, independent and first class firm of ship brokers approved by the Agent.

"**Assignments**"means first priority deeds of assignment of the Insurances, Earnings, Charters and Requisition Compensation of the Vessels from the Borrowers; and first priority assignments of the Insurances from the Managers contained in the Managers' Undertakings.

"**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.

Page 2

"**Authorisation**"means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Availability Period**" means:

|  |  |  |
| --- | --- | --- |
|  | (i) | in respect of Utilisation A, the period from and including the date of this Agreement to and including 30 September 2019; |

|  |  |  |
| --- | --- | --- |
|  | (ii) | in respect of Utilisation B, the period from and including the date of this Agreement to and including 31 December 2019; |

|  |  |  |
| --- | --- | --- |
|  | (iii) | in respect of Utilisation C, the period from and including the date of this Agreement to and including 31 January 2020; and |

|  |  |  |
| --- | --- | --- |
|  | (iv) | in respect of Utilisation D, the period from and including the date of this Agreement to and including 30 April 2020, |

or such later date as may be agreed by the Lenders.

"**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 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, Athens, Norway and New York.

"**Carbon Intensity and Climate Alignment Certificate**"means a certificate from a Recognized Organization relating to a Vessel and a year setting out:

|  |  |  |
| --- | --- | --- |
|  | (a) | the average efficiency ratio of that Vessel for all voyages performed by it over that year using ship fuel oil consumption data required to be collected and reported in accordance with Regulation 22A of Annex VI in respect of that year; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | the climate alignment of that Vessel for such year, |

in each case as calculated in accordance with the Poseidon Principles.

"**Cash**"means, at any date of determination under this Agreement, the aggregate value of the Original Guarantors and its Subsidiaries credit balances on any deposit, savings or current account and cash in hand (including, without limitation, short term cash deposits with the Account Holder) to which the Original Guarantors and/or its Subsidiaries (as applicable) have free, immediate and direct access but excluding any

Page 3

such credit balances and cash subject to an Encumbrance (other than Encumbrances in favour of the Finance Parties) at any time.

"**Cash Equivalents**"means, at any date of determination under this Agreement and the Guarantee, the aggregate value of the Guarantor's Group's:

|  |  |  |
| --- | --- | --- |
|  | (a) | certificates of deposit of, or overnight bank deposits with, any Lender or any commercial bank whose short-term securities are rated at least A-2 by Standard and Poor's Rating Group and P-3 by Moody's Investor Services, Inc. having maturities of six (6) months or less from the date of acquisition; |

|  |  |  |
| --- | --- | --- |
|  | (b) | commercial paper of, or money market accounts or funds with or issued by, any Lender or by an issuer rated at least A-2 by Standard & Poor's Ratings Group and P-3 by Moody's Investor Services, Inc. and having an original tenor of six (6) months or less; and |

|  |  |  |
| --- | --- | --- |
|  | (c) | medium term fixed or floating rate notes of any Lender or an issuer rated at least AA- by Standard & Poor's Rating Group and/or Aa3 by Moody's Investor Services, Inc. at the time of acquisition and having a remaining term of six (6) months or less from the date of acquisition, |

but excluding any of those assets subject to an Encumbrance (other than Encumbrances in favour of the Finance Parties) at any time,

**provided that** the Original Guarantor and/or its Subsidiaries (as applicable) have free, immediate and direct access.

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

"**Charters**"means any time or bareboat charter or contract of employment in respect of a Vessel with a duration exceeding (or capable of exceeding) 24 months and "**Charter**"means any one of them.

"**Charterer**"means any entity which has entered into or will enter into a Charter with a Borrower in respect of Vessel.

"**Code**"means the US Internal Revenue Code of 1986.

"**Commitment**"means:

|  |  |  |
| --- | --- | --- |
|  | (a) | in relation to an Original Lender, the amount set opposite its name under the heading "Commitment" in Part I of Schedule 1 (*The Parties*)and the amount of any other Commitment transferred to it under this Agreement; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement, |

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Commitment Fee**"means the commitment fee to be paid by the Borrowers to the Agent under Clause 11.1 (*Commitment Fee*).

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"**Compliance Certificate**"means a certificate substantially in the form set out in Schedule 7 (*Form of Compliance Certificate*),

"**Confidential Information**"means all information relating to any Obligor, any other member of the Group, 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 or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Loan from either:

|  |  |  |
| --- | --- | --- |
|  | (a) | any Obligor, any other member of the Group or any of its advisers; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any Obligor, any other member of the Group or any of its advisers, |

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

|  |  |  |
| --- | --- | --- |
|  | (i) | is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 38 (*Confidentiality*);or |

|  |  |  |
| --- | --- | --- |
|  | (ii) | is identified in writing at the time of delivery as non-confidential by any Obligor, any other member of the Group or any of its advisers; or |

|  |  |  |
| --- | --- | --- |
|  | (iii) | is known by that Finance Party before the date the information is disclosed to it in accordance with (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 Obligor or any other member of the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality. |

"**Confidentiality Undertaking**"means a confidentiality undertaking 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 the Swap Provider and the Borrowers as contemplated by the Master Agreement.

"**Credit Support Document**"means any document described as such In the 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 the Master Agreement.

"**CTA**"means the Corporation Tax Act 2009.

"**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.

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"**Defaulting Lender**"means any Lender:

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| --- | --- | --- |
|  | (a) | which has failed to make its participation in a Utilisation available (or has notified the Agent or the Borrowers (which have notified the Agent) that it will not make its participation in a Utilisation available) by the Utilisation Date of that Utilisation in accordance with Clause 5.3 (*Lenders' participation*);or |

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| --- | --- | --- |
|  | (b) | which has otherwise rescinded or repudiated a Finance Document; or |

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| --- | --- | --- |
|  | (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. |

"**Deed of Subordination**"means a deed of subordination in respect of all intercompany loans made available to the Borrowers.

"**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.

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"**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.

"**Earnings**"means all hires, freights, passage moneys, pool income and other sums payable to or for the account of a Borrower and/or the Charterer in respect of a Vessel including (without limitation) all remuneration for salvage and towage services, demurrage and detention moneys, contributions in general average, compensation in respect of any requisition for hire, and damages and other payments (whether awarded by any court or arbitral tribunal or by agreement or otherwise) for breach, termination or variation of any contract for the operation, employment or use of a Vessel.

"**Earnings Accounts**"means the bank accounts to be opened in the names of each of the Borrowers respectively with the Account Holder and each designated an "Earnings Account".

"**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 or upon the air, sea, land or soils (including the seabed) or surface water of Environmentally Sensitive Material within or from a 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 and which involves a collision between a Vessel and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and a Vessel, any Obligor, any operator or manager of a Vessel or any combination of them 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 |

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(including the seabed) or surface water otherwise than from a Vessel and in connection with which a Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and/or where any Obligor, any operator or manager of a Vessel or any combination of them 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 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 24 (*Events of Default*).

"**Facility Office**"means:

|  |  |  |
| --- | --- | --- |
|  | (a) | in respect of a Lender, the office or offices notified by that 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; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | in respect of any other Finance Party, the office in the jurisdiction in which it is resident for tax purposes. |

"**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 Obligors have ceased to be under any further actual or contingent liability to the Finance Parties under or in connection with the Finance Documents.

"**FATCA**"means:

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| --- | --- | --- |
|  | (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:

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|  |  |  |
| --- | --- | --- |
|  | (a) | in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within (a), the first date from which such payment may become subject to a deduction or withholding required by FATCA, |

"**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 Letter**"means any letter or letters dated on or about the date of this Agreement and on or about the date of Utilisation C and Utilisation D between the Arranger and the Borrowers (or the Agent and the Borrowers or the Security Agent and the Borrowers) setting out any of the fees referred to in Clause 11 (*Fees*).

"**Final Maturity Date**"means 30 September 2024.

"**Finance Documents**"means this Agreement, the Master Agreement, the Security Documents, any Accession Deed, any Compliance Certificate, any Utilisation Request, the Fee Letter and any other document designated as such by the Agent and the Borrowers.

"**Finance Parties**"means the Arranger, the Agent, the Security Agent, the Swap Provider and the Lenders.

"**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); |

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| --- | --- | --- |
|  | (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 lease or hire purchase contract, a liability under which would, in accordance with GAAP, be treated as a balance sheet liability; |

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| --- | --- | --- |
|  | (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 (i) an underlying liability of an entity which |

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is not an Obligor or a member of the Group which liability would fall within one of the other sections of this definition or (ii) any liabilities of any Obligor or any other member of the Group relating to any post-retirement benefit scheme;

|  |  |  |
| --- | --- | --- |
|  | (h) | any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the end of the Facility Period 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 30 days after the date of supply; |

|  |  |  |
| --- | --- | --- |
|  | (j) | 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 Market Value**"means in relation to a Fleet Vessel, the market value of such Fleet Vessel determined by a valuation to be provided by the Borrowers and acceptable to the Agent 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 and at the cost of the Borrowers.

"**Fleet Vessel**"means any vessel (including, but not limited to, the Vessels) from time to time wholly owned by a member of the Group (directly or indirectly) including chartered-in vessels for which a member of the Group has a purchase obligation but excluding, for the avoidance of doubt, any newbuilding vessels not delivered to the relevant member of the Group at the relevant time, and "**Fleet Vessels**"means more than one of them).

"**GAAP**"means generally accepted accounting principles in the US, including IFRS.

"**Group**"means the Original Guarantor and its Subsidiaries for the time being.

"**Guarantee**"means a guarantee and indemnity in respect of the obligations of each other Obligor granted by each Guarantor and contained in Clause 19 (*Guarantee and Indemnity*).

"**Guarantor**"means an Original Guarantor or an Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 26 (*Changes to the Obligors*).

"**Holding Company**"means, in relation to a person, any other person in respect of which it is a Subsidiary.

"**Hong Kong Convention**"means the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009.

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

"**Identity Letter**"means a letter addressed to the Agent identifying the shareholder of the Original Guarantor.

"**IFRS**"means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**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.

"**Insolvency Event**"in relation to an entity means that the entity:

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| --- | --- | --- |
|  | (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 a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); |

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|  |  |  |
| --- | --- | --- |
|  | (g) | 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)); |

|  |  |  |
| --- | --- | --- |
|  | (h) | 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; |

|  |  |  |
| --- | --- | --- |
|  | (i) | 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 (h); or |

|  |  |  |
| --- | --- | --- |
|  | (j) | 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 or her increased value or her Earnings and (where the context permits) all benefits under such contracts and policies, including all claims of any nature and returns of premium.

"**Interest 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*).

"**Interpolated Screen Rate**"means, in relation to LIBOR, the rate which results from interpolating on a linear basis between:

|  |  |  |
| --- | --- | --- |
|  | (a) | the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the relevant Interest Period; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the relevant Interest Period, |

each as of 11.00 a.m. on the Quotation Day for dollars.

"**ISM Code**"means the International Management Code for the Safe Operation of Ships and for Pollution Prevention.

"**ISM Company**"means, at any given time, the company responsible for a Vessel's compliance with the ISM Code under paragraph 1.1.2 of the ISM Code.

"**ISPS Code**"means the International Ship and Port Facility Security Code.

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

"**ITA**"means the Income Tax Act 2007.

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"**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 25 (*Changes to the Lenders*), |

which in each case has not ceased to be a Party as such in accordance with the terms of this Agreement.

"**LIBOR**"means:

|  |  |  |
| --- | --- | --- |
|  | (a) | the applicable Screen Rate; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | (if no Screen Rate is available for the relevant Interest Period) the Interpolated Screen Rate; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | (if (i) no Screen Rate is available for the currency of the Loan or (ii) no Screen Rate is available for the relevant Interest Period and it is not possible to calculate the Interpolated Screen Rate) 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 and, if that rate is less than zero, LIBOR shall be deemed to be zero.

"**Limitation Acts**"means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

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"**Loan**"means the aggregate amount of the Utilisations 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 Utilisations advanced and for the time being outstanding.

"**Majority Lenders**"means a Lender or Lenders whose Commitments aggregate more than 662/3% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 662/3% of the Total Commitments immediately prior to the reduction).

"**Management Agreements**"means the agreements for the technical and commercial management of the Vessels entered or to be entered into between the Borrowers respectively and the Managers.

"**Managers**"means Maersk Tankers A/S a company incorporated under the law of Denmark having its registered office at Nicolal Eigtveds Gade 28, 1402 Copenhagen K, Denmark ("**Maersk**")or Unitized Ocean Transport Limited a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 ("**UOT**")or any other company which the Agent (acting on the instructions of the Majority Lenders) may approve from time to time as the manager of a Vessel.

"**Managers' Undertakings**"means written undertakings of the Managers in form and substance acceptable to the Agent.

"**Mandatory Cost**"means, in respect of the Lenders, the cost to a Lender (as conclusively certified by it) of complying with any requirements of any competent authority or agency relating to monetary control and liquidity (including reserve asset and/or special deposit or liquidity requirements or other requirements having the same or a similar purpose whether or not having the force of law but with which it is customary to comply) in relation to making available the Loan.

"**Margin**"means 2.75 per cent per annum.

"**Market Value**"means the value of a Vessel or any other vessel over which additional security has been created or which is being offered as additional security in accordance with Clause 18 (*Additional Security*)conclusively determined by an Approved Shipbroker selected by the Borrowers, and appointed by and reporting to, the Agent 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 and evidenced by a valuation of that Vessel or vessel addressed to the Agent certifying a value for that Vessel or vessel and, where two valuations have been obtained, such value shall be the arithmetic average of two (2) valuations (in form and substance acceptable to the Agent) of that Vessel addressed to the Agent certifying the value for that Vessel.

"**Master Agreement**"means any ISDA Master Agreement (or any other form of master agreement relating to interest or currency exchange transactions) entered into between the Swap Provider and the Borrowers before or during the Facility Period, including each Schedule to any Master Agreement and each Confirmation exchanged under any Master Agreement.

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"**Master Agreement Proceeds**"means any and all sums due and payable to the Borrowers or any of them under the Master Agreement following an Early Termination Date (subject always to all rights of netting and set-off contained in the Master Agreement) and all rights to require and enforce the payment of those sums.

"**Master Agreement Proceeds Charge**"means a first priority deed of charge over the Master Agreement Proceeds.

"**Material Adverse Effect**"means in the opinion of the Majority Lenders a material adverse effect on:

|  |  |  |
| --- | --- | --- |
|  | (a) | the business, operations, property, condition (financial or otherwise) or prospects of any Obligor or the Group taken as a whole; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | the ability of any Obligor 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 the lesser of (a) $59,000,000 and (b) the aggregate of (i) 55 per cent of the Market Value of Vessel A, Vessel B and Vessel C and (ii) 46.3 per cent of the Market Value of Vessel D, in each case as required under each Maximum Utilisation Amount and determined pursuant to the valuation in respect of each Vessel provided in accordance with Clause 4.1 (*Conditions precedent*).

"**Maximum Utilisation Amount**"means any one of the Maximum Utilisation A Amount or the Maximum Utilisation B Amount or the Maximum Utilisation C Amount or the Maximum Utilisation D Amount.

"**Maximum Utilisation A Amount**"means, in respect of Vessel A, an amount up to the lesser of (a) $16,500,000 and (b) 55 per cent of the Market Value of Vessel A determined by the Agent pursuant to the valuations in respect of Vessel A provided in accordance with Clause 4.1 (Conditions precedent).

"**Maximum Utilisation B Amount**"means, in respect of Vessel B, an amount up to the lesser of (a) $16,500,000 and (b) 55 per cent of the Market Value of Vessel B determined by the Agent pursuant to the valuations in respect of Vessel B provided in accordance with Clause 4.1 (Conditions precedent).

"**Maximum Utilisation C Amount**"means, in respect of Vessel C, an amount up to the lesser of (a) $14,000,000 and (b) 55 per cent of the Market Value of Vessel C determined by the Agent pursuant to the valuations in respect of Vessel C provided in accordance with Clause 4.1 (Conditions precedent).

"**Maximum Utilisation D Amount**"means, in respect of Vessel D, an amount up to the lesser of (a) $12,000,000 and (b) 46.3 per cent of the Market Value of Vessel D determined by the Agent pursuant to the valuations in respect of Vessel D provided in accordance with Clause 4.1 (Conditions precedent).

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"**Month**"means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

|  |  |  |
| --- | --- | --- |
|  | (a) | (subject to (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; |

|  |  |  |
| --- | --- | --- |
|  | (b) | If there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and |

|  |  |  |
| --- | --- | --- |
|  | (c) | If an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end. |

The above rules will only apply to the last Month of any period.

"**MOAs**"means:

|  |  |  |
| --- | --- | --- |
|  | (a) | the memoranda of agreement dated 7 June 2019 on the terms and subject to the conditions of which the relevant Seller will sell Vessel A to Borrower A and Vessel B to Borrower B respectively; |

|  |  |  |
| --- | --- | --- |
|  | (b) | the memorandum of agreement dated 12 November 2019 on the terms and subject to the conditions of which the relevant Seller will sell Vessel C to Borrower C; and |

|  |  |  |
| --- | --- | --- |
|  | (c) | the memorandum of agreement dated 14 February 2020 on the terms and subject to the conditions of which the relevant Seller will sell Vessel D to Borrower D, |

and each a "**MOA**".

"**Mortgage Addenda**" means:

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| --- | --- | --- |
|  | (a) | the first addendum to the first preferred Marshall Islands Mortgage over Vessel A dated 5 August 2019; |

|  |  |  |
| --- | --- | --- |
|  | (b) | the first addendum to the first preferred Marshall Islands Mortgage over Vessel B dated 22 November 2019; |

|  |  |  |
| --- | --- | --- |
|  | (c) | the second addendum to the first preferred Marshall Islands Mortgage over Vessel A dated 5 August 2019; |

|  |  |  |
| --- | --- | --- |
|  | (d) | the second addendum to the first preferred Marshall Islands Mortgage over Vessel B dated 22 November 2019; and |

|  |  |  |
| --- | --- | --- |
|  | (e) | the first addendum to the first preferred Marshall Islands Mortgage over Vessel C dated 27 January 2020; |

and each a "**Mortgage Addendum**".

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"**Mortgages**"means first preferred mortgages over the Vessels and the Mortgage Addenda.

"**New Lender**"has the meaning given to that term in Clause 25.1 (*Assignments and transfers by the Lenders*).

"**Non-Consenting Lender**"has the meaning given to that term in Clause 37.5.4 (*Replacement of Lender*).

"**Obligor**"means each Borrower, each Guarantor, UOT, any other Credit Support Provider, or 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 (other than Maersk).

"**Original Guarantor's Shareholder**"means the person or persons identified in the Identity Letter.

"**Original Financial Statements**"means the audited consolidated financial statements of the Original Guarantor for the financial year ended 31 December 2018.

"**Original Jurisdiction**"means, in relation to an Obligor, the jurisdiction under whose laws that Obligor is incorporated as at the date of this Agreement or, in the case of an Additional Guarantor, as at the date on which that Additional Guarantor becomes Party as a Guarantor.

"**Party**"means a party to this Agreement.

"**Permitted Disposal**"means any sale, lease, licence, transfer or other disposal:

|  |  |  |
| --- | --- | --- |
|  | (a) | of assets in exchange for other assets comparable or superior as to type, value and quality (other than an exchange of a non-cash asset for cash); |

|  |  |  |
| --- | --- | --- |
|  | (b) | of obsolete or redundant equipment for cash; |

|  |  |  |
| --- | --- | --- |
|  | (c) | arising as a result of any Permitted Encumbrance; and |

|  |  |  |
| --- | --- | --- |
|  | (d) | of a Vessel made in accordance with this Agreement. |

"**Permitted Encumbrance**" means:

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| --- | --- | --- |
|  | (a) | any Encumbrance which has the prior written approval of the Agent; |

|  |  |  |
| --- | --- | --- |
|  | (b) | any Encumbrance created or expressed to be created under or pursuant to or evidenced by the Security Documents; |

|  |  |  |
| --- | --- | --- |
|  | (c) | 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 an Obligor; |

|  |  |  |
| --- | --- | --- |
|  | (d) | any Quasi-Security arising as a result of a disposal which is a Permitted Disposal. |

"**Poseidon Principles**"means the financial industry framework for assessing and disclosing the climate alignment of ship finance portfolios published on 18 June 2019 as the same may be amended or replaced to reflect changes in applicable law or

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regulation or the introduction of or changes to mandatory requirements of the International Maritime Organization from time to time.

"**Prohibited Person**"means any person (a) that is listed on any Sanctions List (whether designated by name or by reason of being included in a class of persons) or (b) that is directly or indirectly owned or controlled by a person referred to in (a), or (c) that is located, organised or resident in a country that is the subject of Sanctions.

"**Quasi-Security**"has the meaning given to that term in Clause 23.9 (*Negative pledge*).

"**Quotation Day**"means, in relation to any period for which an interest rate is to be determined (for dollars) two Business Days before the first day of that period, unless market practice differs in the Relevant Market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the Relevant Market (and if quotations would normally be given by leading banks in the Relevant 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.

"**Recognized Organization**"means, in respect of a Vessel an organization representing that Vessel's flag state and, for the purposes of Clause 23.31 (*Poseidon Principles*),duly authorized to determine whether the relevant Borrower has complied with regulation 22A of Annex VI.

"**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 in relation to LIBOR as either:

|  |  |  |
| --- | --- | --- |
|  | (a) | if: |

|  |  |  |
| --- | --- | --- |
|  | (i) | the Reference Bank is a contributor to the applicable Screen Rate; and |

|  |  |  |
| --- | --- | --- |
|  | (ii) | it consists of a single figure, |

the rate (applied to the relevant Reference Bank and the relevant currency and period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator; or

|  |  |  |
| --- | --- | --- |
|  | (b) | in any other case, the rate at which the relevant Reference Bank could fund itself in the relevant currency for the relevant period with reference to the unsecured wholesale funding market. |

"**Reference Banks**"means, in relation to LIBOR, the principal London offices of the banks, which have an investment grade rating for their long-term unsecured and non-credit-enhanced debt obligations, such rating to be given by Standard & Poor's Rating Services or Fitch Ratings Ltd or Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency, as may be appointed by the Agent (in consultation with the Borrowers).

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"**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 Charter, the Management Agreements and each Borrower's constitutional documents.

"**Relevant Market**"means the London interbank market.

"**Relevant Jurisdiction**"means, in relation to an Obligor:

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| --- | --- | --- |
|  | (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 each date for payment of a Repayment Instalment in accordance with Clause 6 (*Repayment*).

"**Repayment Instalment**"means any instalment of the Loan to be repaid by the Borrowers under Clause 6 (Repayment).

"**Repeating Representations**"means each of the representations set out in Clause 20.1.1 (Status) to Clause 20.1.6 (Governing law and enforcement) and Clause 20.1.10 (No default) to Clause 20.1.19 (Pari passu ranking).

"**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 as a result of a Vessel being requisitioned for title or in any other way compulsorily acquired (other than by way of requisition for hire).

"**Sanctions**"means the economic or financial sanctions laws and/or regulations, trade embargoes, prohibitions, restrictive measures, decisions, executive orders or notices from regulators implemented, adapted, imposed, administered or enacted and/or enforced by any Sanctions Authority.

"**Sanctions Authority**"means the United Kingdom, the European Union, the member states of the European Union, the Norwegian State, the United Nations, the United States of America and any authority, official institution or agency acting on behalf of any of them in connection with Sanctions.

"**Sanctions Event**"means:

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| --- | --- | --- |
|  | (a) | a breach by an Obligor of any obligations under Clause 23,26 (*Sanctions*);or |

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| --- | --- | --- |
|  | (b) | an Obligor is or becomes a Prohibited Person. |

"**Sanctions List**"means any list of persons or entities published in connection with Sanctions by or on behalf of any Sanctions Authority.

"**Screen Rate**"means in relation to LIBOR, 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 Thomson Reuters screen (or any replacement Thomson 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 Thomson 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 Deed of Subordination, the Account Security Deeds, the Share Securities, the Managers' Undertakings, the Master Agreement Proceeds Charge 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.

"**Seller**"means:

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| --- | --- | --- |
|  | (a) | in respect of Vessel A and Vessel B, Maersk Tankers Singapore Pte. Ltd. of 6 Shenton Way #23-08, OUE Downtown 2, Singapore 068809; |

|  |  |  |
| --- | --- | --- |
|  | (b) | in respect of Vessel C, Hebdol Shipping Inc of 80 Broad Street, Monrovia, Republic of Liberia; and |

|  |  |  |
| --- | --- | --- |
|  | (c) | in respect of Vessel D, FSL-24 Pte. Ltd. of 9 Temasek Boulevard, 19-03, Suntec Tower Two, Singapore 038989. |

"**Share Securities**"means first priority pledges of all the issued shares of the Borrowers.

"**SMC**" means a valid safety management certificate issued for a Vessel by or on behalf of the Administration under paragraph 13.7 of the ISM Code.

"**Statement of Compliance**"means a Statement of Compliance related to fuel oil consumption pursuant to regulations 6.6 and 6.7 of Annex VI.

"**Subsidiary**"means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

"**Tax**"means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

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**"Termination Date**" means:

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| --- | --- | --- |
|  | (a) | in respect of Utilisation A, Utilisation B and Utilisation C, 30 July 2024; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | in respect of Utilisation D 30 September 2024. |

"**Total Assets**"means, as at the date of calculation or, as the case may be, for any accounting period, the aggregate value of all assets of the Group (including, without limitation, the Vessels) included in the annual or quarterly (as the case may be) financial statements provided under Clause 21.1 (*Financial statements*)as "current assets" and the value of all investments (valued in accordance with GAAP) and all other tangible and intangible assets of the Group properly included in the annual or quarterly (as the case may be) financial statements provided under Clause 21.1 (*Financial statements*)as "fixed assets" and "other non-current assets" in accordance with GAAP.

"**Total Commitments**"means the aggregate of the Commitments.

"**Total Debt**"means, at any time during the Facility Period, the aggregate amount of the Financial Indebtedness all the members of the Group at that time as shown in the Original Guarantor's latest financial statements delivered to the Agent pursuant to Clause 21.1 (*Financial statements*).

"**Total Loss**"means:

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| --- | --- | --- |
|  | (a) | an actual, constructive, arranged, agreed or compromised total loss of a Vessel; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | the requisition for title or compulsory acquisition of a Vessel by any government or other competent authority (other than by way of requisition for hire); or |

|  |  |  |
| --- | --- | --- |
|  | (c) | the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture of a Vessel (not falling within (b)), unless that Vessel is released and returned to the possession of the relevant Borrower within 30 days after the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture in question. |

"**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.

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"**Trust Property**" means:

|  |  |  |
| --- | --- | --- |
|  | (a) | all benefits derived by the Security Agent from any Finance Document; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | all benefits arising under (including, without limitation, all proceeds of the enforcement of) each of the Security Documents, |

excluding any benefits arising solely for the benefit of the Security Agent.

"**Unpaid Sum**"means any sum due and payable but unpaid by any Obligor under the Finance Documents.

"**US**"means the United States of America.

"**Utilisation**s" means Utilisation A, Utilisation B, Utilisation C and Utilisation D and "**Utilisation**"means any one of them.

"**Utilisation A**"means that part of the Loan, up to the Maximum Utilisation A Amount, to be advanced to the Borrowers in respect of Vessel A, or where the context permits, the amount of Utilisation A advanced and for the time being outstanding.

"**Utilisation B**"means that part of the Loan, up to the Maximum Utilisation B Amount, to be advanced to the Borrowers in respect of Vessel B, or where the context permits, the amount of Utilisation B advanced and for the time being outstanding.

"**Utilisation C**"means that part of the Loan, up to the Maximum Utilisation C Amount, to be advanced to the Borrowers In respect of Vessel C, or where the context permits, the amount of Utilisation C advanced and for the time being outstanding.

"**Utilisation D**"means that part of the Loan, up to the Maximum Utilisation D Amount, to be advanced to the Borrowers in respect of Vessel D, or where the context permits, the amount of Utilisation D advanced and for the time being outstanding.

"**Utilisation Date**"means the date on which the relevant Utilisation is advanced under Clause 5 (*Advance*).

"**Utilisation Request**"means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

"**Value Adjusted Total Assets**"means, at any time, Total Assets adjusted to reflect the difference between the book values of all Fleet Vessels and the aggregate Fleet Market Value of all Fleet Vessels.

"**VAT**"means:

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| --- | --- | --- |
|  | (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 |

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|  |  |  |
| --- | --- | --- |
|  | (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. |

"**Vessel A**"means the 104,623 dwt m.v. "MAERSK JEDDAH" with IMO number 9524991 currently registered under the flag of the Republic of Singapore in the ownership of the relevant Seller and intended to be sold by the relevant Seller to Borrower A on the terms of the relevant MOA and to be registered in the ownership of Borrower A under the flag of the Marshall Islands with the name "BLUE MOON" and everything now or in the future belonging to her on board and ashore.

"**Vessel B**"means the 104,588 dwt m.v. "MAERSK JAMNAGAR" with IMO number 9524982 currently registered under the flag of the Republic of Singapore in the ownership of the relevant Seller and intended to be sold by the relevant Seller to Borrower B on the terms of the relevant MOA and to be registered in the ownership of Borrower B under the flag of the Marshall Islands with the name "BRIOLEITE" and everything now or in the future belonging to her on board and ashore.

"**Vessel C**"means the 115,577 dwt m.t. "VIRGO SUN" with IMO number 9332810 currently registered under the flag of the Republic of Liberia in the ownership of the relevant Seller and intended to be sold by the relevant Seller to Borrower C on the terms of the relevant MOA and to be registered in the ownership of Borrower C under the flag of the Marshall Islands with the name "P. FOS" and everything now or in the future belonging to her on board and ashore.

"**Vessel D**"means the 115,915 dwt m.t. "FSL SHANGHAI" with IMO number 9346744 currently registered under the flag of the Republic of Singapore in the ownership of the relevant Seller and intended to be sold by the relevant Seller to Borrower D on the terms of the relevant MOA and to be registered in the ownership of Borrower D under the flag of the Marshall Islands with the name "P. KIKUMA" and everything now or in the future belonging to her on board and ashore.

"**Vessels**"means Vessel A, Vessel B, Vessel C and Vessel D and each a "**Vessel**".

"**Value Adjusted Equity Ratio**"means the amount of the Original Guarantor's total shareholders' equity as reflected in the most recent Accounting Information adjusted by the difference between the Fleet Market Value and the book value of the Fleet Vessels divided by market value adjusted total assets, as evidenced by the latest financial statements.

"**Working Capital**"means the consolidated current assets minus the consolidated current liabilities (next year's instalment on long-term debt and subordinated shareholder loans shall be excluded from the current liabilities).

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| 1.2 | **Construction** Unless a contrary indication appears, any reference in this Agreement to: |

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|  | 1.2.1 | any "**Lender**"**,** any "**Borrower**"**,** any "**Guarantor**"**,** the "**Arranger**"**,** the "**Agent**"**,** the "**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 |

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transferees to, or of, its rights and/or obligations under the Finance Documents;

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| --- | --- | --- |
|  | 1.2.2 | "**assets**"includes present and future properties, revenues and rights of every description; |

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| --- | --- | --- |
|  | 1.2.3 | a "**Finance Document**",a "**Security Document**",a "**Relevant Document**"or any other agreement or instrument is a reference to that Finance Document, Security Document, Relevant Document or other agreement or instrument as amended, novated, supplemented, extended or restated from time to time; |

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| --- | --- | --- |
|  | 1.2.4 | a "**group of Lenders**"includes all the Lenders; |

|  |  |  |
| --- | --- | --- |
|  | 1.2.5 | "**guarantee**"means (other than in Clause 19 (*Guarantee and Indemnity*))any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness; |

|  |  |  |
| --- | --- | --- |
|  | 1.2.6 | "**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; |

|  |  |  |
| --- | --- | --- |
|  | 1.2.7 | a "**person**"includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality); |

|  |  |  |
| --- | --- | --- |
|  | 1.2.8 | 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; |

|  |  |  |
| --- | --- | --- |
|  | 1.2.9 | a provision of law is a reference to that provision as amended or re-enacted from time to time; |

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| --- | --- | --- |
|  | 1.2.10 | a time of day (unless otherwise specified) is a reference to London time; and |

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| --- | --- | --- |
|  | 1.2.11 | the determination of the extent to which a rate is "**for a period equal in length**"to an Interest Period shall disregard any inconsistency arising from the last day of that Interest Period being determined pursuant to the terms of this Agreement. |

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| --- | --- |
| 1.3 | **Headings** Section, Clause and Schedule headings are for ease of reference only. |

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| --- | --- |
| 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. |

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| --- | --- |
| 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. |

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| --- | --- |
| 1.6 | **Currency symbols and definitions** "**$**"**,** "**USD**"and "**dollars**"denote the lawful currency of the United States of America. |

|  |  |
| --- | --- |
| 1.7 | **Third party rights** |

|  |  |  |
| --- | --- | --- |
|  | 1.7.1 | Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**")to enforce or to enjoy the benefit of any term of this Agreement. |

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| --- | --- | --- |
|  | 1.7.2 | Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time. |

|  |  |
| --- | --- |
| 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. |

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| --- | --- |
| 1.9 | **Contractual recognition of bail-in** |

|  |  |  |
| --- | --- | --- |
|  | 1.9.1 | In this Clause 1.9: |

"**Article 55 BRRD**"means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

"**Bail-In Action**"means the exercise of any Write-down and Conversion Powers.

"**Bail-In Legislation**" means:

|  |  |  |
| --- | --- | --- |
|  | (a) | in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and |

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|  | (b) | in relation to any state other than such an EEA Member Country or (to the extent that the United Kingdom is not such an EEA Member Country) the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation. |

"**EEA Member Country**"means any member state of the European Union, Iceland, Liechtenstein and Norway.

"**EU Bail-In Legislation Schedule**"means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

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"**Resolution Authority**"means any body which has authority to exercise any Write-down and Conversion Powers.

"**UK Bail-In Legislation**"means (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

"**Write-down and Conversion Pow**ers" means:

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|  | (a) | in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Ball-In Legislation in the EU Ball-In Legislation Schedule; and |

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|  | (b) | in relation to any other applicable Bail-In Legislation: |

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|  | (i) | any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and |

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| --- | --- | --- |
|  | (ii) | any similar or analogous powers under that Bail-In Legislation; and |

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| --- | --- | --- |
|  | (c) | in relation to any UK Bail-In Legislation: |

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| --- | --- | --- |
|  | (i) | any powers under that UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that UK Bail-In |

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Legislation that are related to or ancillary to any of those powers; and

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| --- | --- | --- |
|  | (ii) | any similar or analogous powers under that UK Bail-In Legislation. |

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|  | 1.9.2 | Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of: |

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| --- | --- | --- |
|  | (a) | any Bail-In Action in relation to any such liability, including (without limitation): |

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|  | (i) | a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability; |

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|  | (ii) | a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and |

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|  | (iii) | a cancellation of any such liability; and |

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|  | (b) | a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability. |

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| 1.10 | **Sanctions** |

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|  | 1.10.1 | In this Clause 1.10: |

"**Restricted Lender**"means a Lender that notifies the Agent to the effect that the Sanctions Provisions will only apply for its benefit according to Clause 1.10.2.

"**Sanctions Provisions**"means the representations and warranties given in Clause 20.1.25 (*Sanctions*)and the undertakings given in Clause 23.26 (*Sanctions*).

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|  | 1.10.2 | The Sanctions Provisions shall only be given to a Lender the extent that the making, the receiving of the benefit of and/or, where applicable, the repetition of these representations and warranties, and the compliance with these undertakings do not result in a violation of or conflict with: |

|  |  |  |
| --- | --- | --- |
|  | (a) | any provision of Council Regulation (EC) 2271/1996 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom; or |

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| --- | --- | --- |
|  | (b) | if applicable, section 7 of the German Foreign Trade Regulation (*AuBenwirtschaftsverordnung*)(in conjunction with section 4 |

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paragraph 1 of No.3 foreign trade law (AWG) (*Aul3enwirtschaftsgesetz*)).

|  |  |  |
| --- | --- | --- |
|  | 1.10.3 | In connection with any amendment, waiver, determination or direction relating to any part of a Sanctions Provision of which a Restricted Lender does not have the benefit pursuant to this Clause 1.10, the Commitments of that Restricted Lender will be excluded for the purpose of determining whether the consent of the relevant Lenders has been obtained or whether the determination or direction by the relevant Lenders has been made. |

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|  | 1.10.4 | Any amendment, waiver, determination or direction relating to any part of this Clause 1.10 will be subject to the consent of each Restricted Lender. |

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| **Section 2** | **The Loan** |

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| **2** | **The Loan** |

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| 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 comprising of three Utilisations each not exceeding the relevant Maximum Utilisation Amount. |

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| 2.2 | **Finance Parties' rights and obligations** |

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| --- | --- | --- |
|  | 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. |

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|  | 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 an Obligor is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with Clause 2.2.3. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of the Loan or any other amount owed by an Obligor which relates to a Finance Party's participation in the Loan or its role under a Finance Document (including any such amount payable to the Agent on its behalf) is a debt owing to that Finance Party by that Obligor. |

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|  | 2.2.3 | A Finance Party may, except as specifically provided in the Finance Documents, separately enforce its rights under or in connection with the Finance Documents. |

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| **3** | **Purpose** |

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| 3.1 | **Purpose** The Borrowers shall apply the Loan for financing part of the acquisition cost of each Vessel under the relevant MOA. |

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| 3.2 | **Monitoring**  No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement. |

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| **4** | **Conditions of Utilisation** |

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| 4.1 | **Conditions precedent** |

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|  | 4.1.1 | The Finance Parties will only enter into this Agreement if, on or before the date of this Agreement, 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. |

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|  | 4.1.2 | The Lenders will only be obliged to comply with Clause 5.3 (*Lenders' participation*)in relation to the advance of a Utilisation if, on or before the relevant Utilisation Date, the Agent has received all of the documents and |

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other evidence listed in Part II of Schedule 2 (*Conditions Precedent*) *in* form and substance satisfactory to the Agent, save that references in Section 2 of 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 Utilisation 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.

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|  | 4.1.3 | 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 4.1.2, 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. |

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| 4.2 | **Further conditions precedent** |

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| --- | --- | --- |
|  | 4.2.1 | The Lenders will only be obliged to advance a Utilisation if on the date of the relevant Utilisation Request and on the proposed Utilisation Date: |

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| --- | --- | --- |
|  | (a) | no Default is continuing or would result from the advance of that Utilisation; and |

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| --- | --- | --- |
|  | (b) | the representations made by each Borrower and each Guarantor under Clause 20 (*Representations*)are true. |

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|  | 4.2.2 | The Lenders will only be obliged to advance a Utilisation if that Utilisation will not amount to more than the relevant Maximum Utilisation Amount nor increase the Loan to a sum in excess of the Maximum Loan Amount. |

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| 4.3 | **Conditions subsequent** The Borrowers undertake to deliver or to cause to be delivered to the Agent within 5 days after the relevant Utilisation Date the additional documents and other evidence listed in Part II of Schedule 2 (*Conditions Subsequent*)(other than item (2) (*Deletion by Seller*)of Part II of Schedule 2 (*Conditions Subsequent*),which shall be delivered in respect of each Vessel by no later than 30 days from the relevant Utilisation Date and item (8) (*Green passport*)of Part II of Schedule 2 (*Conditions Subsequent*)which shall be delivered in respect of Vessel D as soon as possible upon the Agent's request provided that such green passport notification has become mandatory pursuant to any applicable law or regulation), 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 Utilisation Request or to any person or document relating to that Vessel respectively. |

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| 4.4 | **No waiver** If the Lenders agree to advance a Utilisation 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 30 days after the relevant Utilisation Date or such other date specified by the Agent (acting on the instructions of all the Lenders). |

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The advance of a Utilisation 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*).

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| 4.5 | **Form and content** All documents and evidence delivered to the Agent under this Clause shall: |

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| --- | --- | --- |
|  | 4.5.1 | be in form and substance acceptable to the Agent; and |

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| --- | --- | --- |
|  | 4.5.2 | if required by the Agent, be certified, notarised, legalised or attested in a manner acceptable to the Agent. |

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| **Section 3** | **Utilisation** |

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| **5** | **Advance** |

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| 5.1 | **Delivery of a Utilisation Request** The Borrowers may request a Utilisation to be advanced by delivery to the Agent of a duly completed Utilisation Request not more than ten Business Days before the proposed Utilisation Date and not later than 11.00 am (London time) three Business Days before the proposed Utilisation Date. |

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| 5.2 | **Completion of a Utilisation Request**  A Utilisation Request is irrevocable and will not be regarded as having been duly completed unless: |

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|  | 5.2.1 | it is signed by an authorised signatory of each Borrower; |

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| --- | --- | --- |
|  | 5.2.2 | the proposed Utilisation Date is a Business Day within the Availability Period; and |

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| --- | --- | --- |
|  | 5.2.3 | the proposed Interest Period complies with Clause 9 (*Interest Periods*). |

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| 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 Utilisation available by the relevant Utilisation Date through its Facility Office. |

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|  | 5.3.2 | The amount of each Lender's participation in any Utilisation will be equal to the proportion borne by its Commitment to the Total Commitments. |

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| 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. |

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| **Section 4** | **Repayment, Prepayment and Cancellation** |

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| **6** | **Repayment** |

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| 6.1 | **Repayment of Loan** The Borrowers shall repay the Loan to the Agent for the account of the Lenders, as follows: |

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| --- | --- | --- |
|  | 6.1.1 | Utilisation A, by 20 consecutive quarterly instalments, the first 19 such instalments each in the sum of $518,644.51, and the 20th and final such instalment in the sum of $6,645,754.31 (comprising an instalment of $518,644.51 and a balloon payment in the sum of $6,127,109.80 ("**Balloon A**")); |

|  |  |  |
| --- | --- | --- |
|  | 6.1.2 | Utilisation B, by 19 consecutive quarterly instalments, the first 18 such instalments each in the sum of $566,237.31, and the 19th and final such instalment in the sum of $6,307,728.42 (comprising an instalment of $566,237.31 and a balloon payment in the sum of $5,741,491.11 ("**Balloon B**"and together with Balloon A, the "**Balloons**"and each a "**Balloon**")); |

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|  | 6.1.3 | Utilisation C, as follows: |

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| --- | --- | --- |
|  | (a) | if the relevant Utilization Date falls before 30 January 2020, by 19 consecutive quarterly instalments, each in the sum of $736,842.11, or |

|  |  |  |
| --- | --- | --- |
|  | (b) | if the relevant Utilization Date falls after 30 January 2020, by 18 consecutive quarterly instalments, each in the sum of $777,777.78; and |

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| --- | --- | --- |
|  | 6.1.4 | Utilisation D, by 19 consecutive instalments the first 18 falling at consecutive quarterly intervals and with the nineteenth and final instalment falling due on the relevant Termination Date and each such instalment being in the sum of $631,578.95, |

the first such payment for Utilisation A shall be made on the date which is three Months after the relevant Utilisation Date, the following payments in respect of Utilization A shall be made at consecutive intervals of three Months thereafter, the first payment of each of Utilisation B, Utilisation C and Utilisation D shall be made on the next Repayment Date falling due for Utilisation A and subsequent instalments for each Utilisation shall fall due at consecutive intervals of three Months thereafter and the final instalment (including the relevant Balloon) in respect of each Utilisation shall fall due on the relevant Termination Date. On the Final Maturity Date, the Borrowers shall pay to the Agent all amounts outstanding or other sums (if any) then accrued or owing under any Finance Document.

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| 6.2 | **Reduction of Repayment Instalments** If the aggregate amount advanced to the Borrowers in respect of a Vessel is less than the relevant Maximum Utilisation Amount, the amount of each Repayment Instalment in respect of the relevant Utilisation shall be reduced pro rata to the amount actually advanced. |

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| 6.3 | **Reborrowing** The Borrowers may not reborrow any part of a Utilisation which is repaid. |

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| **7** | **Illegality, Prepayment and Cancellation** |

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| --- | --- |
| 7.1 | **Illegality** If in any applicable jurisdiction it becomes unlawful 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 or if a Sanctions Event occurs: |

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|  | 7.1.1 | that Lender shall promptly notify the Agent upon becoming aware of that event; |

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| --- | --- | --- |
|  | 7.1.2 | upon the Agent notifying the Borrowers, the Commitment of that Lender will be immediately cancelled; and |

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| --- | --- | --- |
|  | 7.1.3 | to the extent that the Lender's participation has not been transferred pursuant to Clause 37.5 (*Replacement of Lender*),the Borrowers shall repay that Lender's participation in the Loan on the last day of the current Interest Period or, if earlier, the date specified by the Lender in the notice delivered to the Agent and notified by the Agent to the Borrowers or, in relation to a Sanctions Event, the last day permitted by relevant Sanctions (being no earlier than the last day of any applicable grace period permitted by law). |

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| 7.2 | **Voluntary cancellation** The Borrowers may, if they give the Agent not less than three Business 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 that Utilisation. Any cancellation under this Clause 7.2 shall reduce the Commitments of the Lenders rateably under that Utilisation. |

|  |  |
| --- | --- |
| 7.3 | **Voluntary prepayment of a Utilisation** The Borrowers may prepay the whole or any part of a Utilisation (but, if in part, being an amount that reduces that Utilisation by a minimum amount of $500,000 an amount which is an integral multiple of $500,000 or such lesser amount acceptable to the Agent) subject as follows: |

|  |  |  |
| --- | --- | --- |
|  | 7.3.1 | they give the Agent not less than three Business Days' (or such shorter period as the Majority Lenders may agree) prior notice; |

|  |  |  |
| --- | --- | --- |
|  | 7.3.2 | the Loan may only be prepaid after the last day of the Availability Period; and |

|  |  |  |
| --- | --- | --- |
|  | 7.3.3 | any prepayment under this Clause 7.3 shall satisfy the obligations under Clause 6.1 (*Repayment of Loan*)in respect of the relevant Utilisation on a pro rata basis. |

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| 7.4 | **Right of cancellation and prepayment in relation to a single Lender** |

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| --- | --- | --- |
|  | 7.4.1 | If: |

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| --- | --- | --- |
|  | (a) | any sum payable to any Lender by a Borrower or a Guarantor is required to be increased under Clause 12.2.3 (*Tax gross-up*);or |

|  |  |  |
| --- | --- | --- |
|  | (b) | any Lender claims indemnification from a Borrower or a Guarantor under Clause 12.3 (*Tax indemnity*)or Clause 13.1 (*Increased costs*), |

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the Borrowers may, while 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 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 the Loan 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 180 days after any such Total Loss and the date on which the proceeds of any such Total Loss are realised, prepay the whole of the relevant Utilisation and an amount of the remaining Utilisations equal to the amount required to ensure that the VTL Coverage (as defined in Clause 18.1 (*VTL Coverage*)is fully complied with following such prepayment. |

Any prepayment under this Clause shall satisfy the Borrowers' obligations under Clause 6.1 (*Repayment of Loan*)on a pro rata basis between the remaining Utilisations.

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| 7.6 | **Right of cancellation in relation to a Defaulting Lender** If any Lender becomes a Defaulting Lender, the Borrowers may, at any time while the Lender continues to be a Defaulting Lender, give the Agent 30 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. |

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| 7.7 | **Mandatory Prepayment - Change of Control** |

If:

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| --- | --- | --- |
|  | (a) | the Original Guarantor's Shareholder or any company controlled directly or indirectly by the Original Guarantor's Shareholder ceases to hold directly (legally and beneficially) at least 15 per cent of the issued share capital and voting rights on the Original Guarantor; |

|  |  |  |
| --- | --- | --- |
|  | (b) | without the prior written consent of the Agent (acting on the instructions of all the Lenders) any person or group of persons acting in concert have the right or the ability to control, either directly or indirectly, the affairs or composition of the majority of the board of directors of the Original Guarantor or acquires 1/3 or more of the voting and/or common shares in the Original Guarantor other than: |

|  |  |  |
| --- | --- | --- |
|  | (i) | the Original Guarantor's Shareholder; or |

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|  |  |  |
| --- | --- | --- |
|  | (ii) | any company controlled directly or indirectly by the Original Guarantor's Shareholder; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | the Original Guarantor ceases to be the sole shareholder of any Borrower, then: |

|  |  |  |
| --- | --- | --- |
|  | (i) | the Borrowers shall promptly notify the Agent upon becoming aware of that event; and |

|  |  |  |
| --- | --- | --- |
|  | (ii) | subject to: |

|  |  |  |
| --- | --- | --- |
|  | (A) | any Lender so requiring (such a Lender, an "**Outgoing Lender**");and |

|  |  |  |
| --- | --- | --- |
|  | (B) | the Agent giving no less than 3 Business Days' notice to the Borrower, |

the Commitment of that Outgoing Lender will be immediately cancelled and the Borrowers shall repay within 45 days thereafter that Outgoing Lender's participation in each Utilisation.

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| 7.8 | **Restrictions** |

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|  | 7.8.1 | 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. |

|  |  |  |
| --- | --- | --- |
|  | 7.8.2 | Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty. |

|  |  |  |
| --- | --- | --- |
|  | 7.8.3 | The Borrowers shall not repay, prepay or cancel all or any part of the Loan except at the times and in the manner expressly provided for in this Agreement. |

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| --- | --- | --- |
|  | 7.8.4 | No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated. |

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|  | 7.8.5 | The Borrowers may not reborrow any part of the Loan which is prepaid. |

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|  | 7.8.6 | 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. |

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| **Section 5** | **Costs of Utilisation** |

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| **8** | **Interest** |

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| --- | --- |
| 8.1 | **Calculation of interest**  The rate of interest on the Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable: |

|  |  |  |
| --- | --- | --- |
|  | 8.1.1 | Margin; |

|  |  |  |
| --- | --- | --- |
|  | 8.1.2 | LIBOR; and |

|  |  |  |
| --- | --- | --- |
|  | 8.1.3 | Mandatory Cost, if any. |

|  |  |
| --- | --- |
| 8.2 | **Payment of interest** shall accrue day to day, shall be calculated on the basis of the actual number of days elapsed in a 360 day year, and the Borrowers shall pay accrued interest on the Loan on the last day of each Interest Period (and, if the Interest Period is longer than three Months, on the dates falling at intervals of three Months after the first day of the Interest Period). |

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| --- | --- |
| 8.3 | **Default interest** If a Borrower or a Guarantor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent per annum higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted the Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent. Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower or the Guarantor 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.

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| 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. |

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| **9** | **Interest Periods** |

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| 9.1 | **Selection of Interest Periods** The Borrowers may select in a written notice to the Agent the duration of an Interest Period for the Loan subject as follows: |

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| --- | --- | --- |
|  | 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; |

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|  | 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 (*Second and subsequent Utilisations*),9.3 (*Interest Periods to meet Repayment Dates*)and 9.4 (*Non-Business Days*),be three Months; |

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| --- | --- | --- |
|  | 9.1.3 | subject to this Clause 9, the Borrowers may select an Interest Period of one or three Months or any other period agreed between the Borrowers and the Agent (acting on the instructions of all the Lenders); |

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| --- | --- | --- |
|  | 9.1.4 | an Interest Period shall not extend beyond the Termination Date; and |

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| --- | --- | --- |
|  | 9.1.5 | each Interest Period shall start on the Utilisation Date in respect of the first Utilisation or (if the first Utilisation is already made) on the last day of the preceding Interest Period and end on the date which numerically corresponds to the Utilisation Date in respect of the first Utilisation or the last day of the preceding Interest Period in the relevant Month. |

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| 9.2 | **Second and subsequent Utilisations** If the second or any subsequent Utilisation is made otherwise than on the first day of an Interest Period for the balance of the Loan, there shall be a separate initial Interest Period for that Utilisation commencing on its Utilisation Date and expiring on the final date of the then current Interest Period for the balance of the Loan. |

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| 9.3 | **Interest Periods to meet Repayment Dates** If an Interest Period will expire after the next Repayment Date, there shall be a separate Interest Period for a part of the Loan equal to the Repayment Instalment due on that next Repayment Date and that separate Interest Period shall expire on that next Repayment Date. |

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| 9.4 | **Non-Business Days** If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not) |

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| **10** | **Changes to the Calculation of Interest** |

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| 10.1 | **Calculation of Reference Bank Rate** |

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|  | 10.1.1 | Subject to Clause 10.2 (*Market disruption*),if LIBOR is to be determined by reference to a Reference Bank Rate but a Reference Bank does not supply a quotation by 11.00 am on the Quotation Day, the Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Reference Banks. |

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|  | 10.1.2 | If at or about noon on the Quotation Day for the relevant Interest Period LIBOR is to be determined by reference to the Reference Bank Rate and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for dollars, Clause 10.3 (*Cost of funds*)shall apply to the Loan for the relevant Interest Period. |

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| 10.2 | **Market disruption** If 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 30% of the Loan) that the cost to it of funding its participation in the Loan from whatever source it may select would be in excess of LIBOR then Clause 10.3 (*Cost of funds*)shall apply to the Loan for the relevant Interest Period. |

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| 10.3 | **Cost of funds** |

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|  | 10.3.1 | If this Clause 10.3 applies 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: |

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| --- | --- | --- |
|  | (a) | the Margin; and |

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|  |  |  |
| --- | --- | --- |
|  | (b) | 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. |

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|  | 10.3.2 | If this Clause 10.3 applies and the Agent or the Borrowers so require, the Agent and the Borrowers shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest. |

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|  | 10.3.3 | Any alternative basis agreed pursuant to Clause 10.3.2 shall, with the prior consent of all the Lenders and the Borrowers, be binding on all Parties. |

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|  | 10.3.4 | If an alternative basis is not agreed pursuant to Clause 10.3.2, the rate of interest shall continue to be determined in accordance with Clause 10.3.1. |

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| 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 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.

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| **11** | **Fees** |

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| 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 0.9625 per cent per annum on the daily undrawn amount of the Loan (a) in the case of Utilisation A and Utilisation B, from the earlier of (i) the date of this Agreement and (ii) 30 September 2019 until the first Utilisation Date, (b) in the case of Utilisation C, from 6 January 2020 until the Utilisation Date in respect of Utilisation C and (c) in the case of Utilisation D, from 1 April 2020 until the Utilisation Date in respect of Utilisation D. |

The accrued commitment fee is payable on the last day of each successive period of three Months which ends during the Availability Period, on the last day of the Availability Period, on the Utilisation Date in respect of the final Utilisation and (on the cancelled amount of the relevant Lender's Commitment) at the time the cancellation is effective.

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| 11.2 | **Arrangement fee** The Borrowers shall pay to the Arranger an arrangement fee in the amount and at the times agreed in the Fee Letter. |

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| **Section 6** | **Additional Payment Obligations** |

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| **12** | **Tax Gross Up and Indemnities** |

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| 12.1 | **Definitions**  In this Agreement: |

"**Borrower DTTP Filing**"means an HM Revenue & Customs' Form DTTP2 duly completed and filed by the relevant Borrower, which:

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| --- | --- | --- |
|  | (a) | where it relates to a Treaty Lender that is an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender's name in Schedule 1 (*The Parties*)and is filed with HM Revenue & Customs within 30 days of the date of this Agreement; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | where it relates to a Treaty Lender that Is not an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the documentation which it executes on becoming a Party as a Lender and is filed with HM Revenue & Customs within 30 days of the relevant Transfer Date. |

"**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.

"**Qualifying Lender**"means a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:

|  |  |  |
| --- | --- | --- |
|  | (a) | a Lender which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | a Lender which is: |

|  |  |  |
| --- | --- | --- |
|  | (i) | a company resident in the United Kingdom for United Kingdom tax purposes; |

|  |  |  |
| --- | --- | --- |
|  | (ii) | a partnership each member of which is: |

|  |  |  |
| --- | --- | --- |
|  | (A) | a company so resident in the United Kingdom; or |

|  |  |  |
| --- | --- | --- |
|  | (B) | a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest |

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payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

|  |  |  |
| --- | --- | --- |
|  | (iii) | a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | a Treaty Lender. |

"**Tax Confirmation**"means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

|  |  |  |
| --- | --- | --- |
|  | (a) | a company resident in the United Kingdom for United Kingdom tax purposes; |

|  |  |  |
| --- | --- | --- |
|  | (b) | a partnership each member of which is: |

|  |  |  |
| --- | --- | --- |
|  | (i) | a company so resident in the United Kingdom; or |

|  |  |  |
| --- | --- | --- |
|  | (ii) | a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company. |

"**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 an Obligor to a Finance Party under Clause 12.2 (*Tax gross-up*)or a payment under Clause 12.3 (*Tax indemnity*).

"**Treaty Lender**"means a Lender which:

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| --- | --- | --- |
|  | (a) | is treated as a resident of a Treaty State for the purposes of the Treaty; |

|  |  |  |
| --- | --- | --- |
|  | (b) | does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loan is effectively connected. |

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"**Treaty State**"means a jurisdiction having a double taxation agreement (a "**Treaty**")with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

"**UK Non-Bank Lender**"means a Lender which is not an Original Lender and which gives a Tax Confirmation in the documentation which it executes on becoming a Party as a Lender.

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.

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| 12.2 | **Tax gross-up** |

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|  | 12.2.1 | Each Borrower and each Guarantor shall (and shall procure that each other Obligor will) make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law. |

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| --- | --- | --- |
|  | 12.2.2 | The Borrowers shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrowers and that Obligor. |

|  |  |  |
| --- | --- | --- |
|  | 12.2.3 | If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required. |

|  |  |  |
| --- | --- | --- |
|  | 12.2.4 | A payment shall not be increased under Clause 12.2.3 by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due: |

|  |  |  |
| --- | --- | --- |
|  | (a) | the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty or any published practice or published concession of any relevant taxing authority; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | the relevant Lender is a Qualifying Lender solely by virtue of (b) of the definition of Qualifying Lender and: |

|  |  |  |
| --- | --- | --- |
|  | (i) | an officer of N.M. Revenue & Customs has given (and not revoked) a direction (a "**Direction**")under section 931 of the ITA which relates to the payment and that Lender has received from the Obligor making the payment a certified copy of that Direction; and |

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|  |  |  |
| --- | --- | --- |
|  | (ii) | the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | the relevant Lender is a Qualifying Lender solely by virtue of (b) of the definition of Qualifying Lender and: |

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| --- | --- | --- |
|  | (i) | the relevant Lender has not given a Tax Confirmation to the Borrowers; and |

|  |  |  |
| --- | --- | --- |
|  | (ii) | the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Borrowers, on the basis that the Tax Confirmation would have enabled the Borrowers to have formed a reasonable belief that the payment was an "excepted payment" for the purpose of section 930 of the ITA; or |

|  |  |  |
| --- | --- | --- |
|  | (d) | the relevant Lender is a Treaty Lender and the Obligor making the payment is able to demonstrate that the payment could have been made to that Lender without the Tax Deduction had that Lender complied with its obligations under Clause 12.2.7 or Clause 12.2.8 (as applicable). |

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| --- | --- | --- |
|  | 12.2.5 | If an Obligor is required to make a Tax Deduction, the relevant Borrower or Guarantor shall (and, in the case of any other Obligor, the Borrowers and each Guarantor shall procure that such other Obligor will) make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law. |

|  |  |  |
| --- | --- | --- |
|  | 12.2.6 | Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower or Guarantor making that Tax Deduction shall (and, in the case of any other Obligor, the Borrowers and each Guarantor shall procure that such other Obligor will) deliver to the Agent for the Finance Party entitled to the payment a statement under section 975 of the ITA or other evidence satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority. |

|  |  |  |
| --- | --- | --- |
|  | 12.2.7 | (a) Subject to (b), a Treaty Lender and each Borrower or Guarantor which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Borrower or Guarantor to obtain authorisation to make that payment without a Tax Deduction. |

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| --- | --- | --- |
|  | (b) | (i) A Treaty Lender which is an Original Lender and that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence opposite its name in Schedule 1 (*The Parties*);and |

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|  |  |  |
| --- | --- | --- |
|  | (ii) | a Treaty Lender which is not an Original Lender and that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the documentation which it executes on becoming a Party as a Lender, |

and, having done so, that Lender shall be under no obligation pursuant to (a).

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|  | 12.2.8 | If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with Clause 12.2.7(b) and: |

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| --- | --- | --- |
|  | (a) | a Borrower making a payment to that Lender has not made a Borrower DTTP Filing in respect of that Lender; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | a Borrower making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but: |

|  |  |  |
| --- | --- | --- |
|  | (i) | that Borrower DTTP Filing has been rejected by HM Revenue & Customs; or |

|  |  |  |
| --- | --- | --- |
|  | (ii) | HM Revenue & Customs has not given that Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing, |

and in each case, that Borrower has notified that Lender in writing, that Lender and that Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

|  |  |  |
| --- | --- | --- |
|  | 12.2.9 | If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with Clause 12.2.7(b), no Borrower or Guarantor shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment(s) or its participation in any Utilisation unless the Lender otherwise agrees. |

|  |  |  |
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|  | 12.2.10 | A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Agent for delivery to the relevant Lender. |

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| --- | --- | --- |
|  | 12.2.11 | A UK Non-Bank Lender shall promptly notify the Borrowers and the Agent if there is any change in the position from that set out in the Tax Confirmation. |

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| 12.3 | **Tax indemnity** |

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| --- | --- | --- |
|  | 12.3.1 | Each Borrower and each Guarantor 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 |

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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*); |

|  |  |  |
| --- | --- | --- |
|  | (ii) | would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*)but was not so compensated solely because one of the exclusions in Clause 12.2.4 (*Tax gross-up*)applied; or |

|  |  |  |
| --- | --- | --- |
|  | (iii) | 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 or a Guarantor under this Clause 12.3, notify the Agent. |

|  |  |
| --- | --- |
| 12.4 | **Tax Credit** If a Borrower or a Guarantor 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 the relevant Borrower or Guarantor 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.

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| --- | --- |
| 12.5 | **Lender status confirmation** Each Lender which is not an Original Lender shall indicate, in the documentation which it executes on becoming a Party as a Lender, and for the benefit of the Agent and without liability to any Obligor, which of the following categories it falls in: |

|  |  |  |
| --- | --- | --- |
|  | 12.5.1 | not a Qualifying Lender; |

|  |  |  |
| --- | --- | --- |
|  | 12.5.2 | a Qualifying Lender (other than a Treaty Lender); or |

|  |  |  |
| --- | --- | --- |
|  | 12.5.3 | a Treaty Lender. |

If such a Lender fails to indicate its status in accordance with this Clause 12.5 then that Lender shall be treated for the purposes of this Agreement (including by each Obligor) as if it is not a Qualifying Lender until such time as it notifies the Agent which category applies (and the Agent, upon receipt of such notification, shall inform the Borrowers). For the avoidance of doubt, the documentation which a Lender executes on becoming a Party as a Lender shall not be invalidated by any failure of a Lender to comply with this Clause 12.5.

|  |  |
| --- | --- |
| 12.6 | **Stamp taxes** The Borrowers and each Guarantor 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. |

|  |  |
| --- | --- |
| 12.7 | **VAT** |

|  |  |  |
| --- | --- | --- |
|  | 12.7.1 | All amounts expressed to be payable under a Finance Document by any Party or any Obligor 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 12.7.2, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party or any Obligor under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party shall (or, where the relevant Obligor is not a Party, the Borrowers and each Guarantor shall procure that such Obligor will) 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 recipient of such supply). |

|  |  |  |
| --- | --- | --- |
|  | 12.7.2 | 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 |

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must (where this Clause 12.7.2(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 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 determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT. |

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|  | 12.7.3 | Where a Finance Document requires any Party or Obligor to reimburse or indemnify a Finance Party for any cost or expense, that Party shall (or, where the relevant Obligor is not a Party, the Borrowers and each Guarantor shall procure that such Obligor will) 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 determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority. |

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|  | 12.7.4 | Any reference in this Clause 12.7 to any Party or Obligor shall, at any time when such person 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 any equivalent person in any jurisdiction other than the United Kingdom. |

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|  | 12.7.5 | In relation to any supply made by a Finance Party to any Party or Obligor under a Finance Document, if requested by such Finance Party, that Party shall (or, where the relevant Obligor is not a Party, the Borrowers and each Guarantor shall procure that such Obligor will) promptly provide such Finance Party with details of that person's VAT registration and such other information as is requested in connection with such Finance Party's VAT reporting requirements in relation to such supply. |

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| 12.8 | **FATCA information** |

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|  | 12.8.1 | Subject to Clause 12.8.3, each Party shall, within ten Business Days of a reasonable request by another Party: |

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|  | (a) | confirm to that other Party whether it is: |

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|  | (i) | a FATCA Exempt Party; or |

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|  | (ii) | not a FATCA Exempt Party; |

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|  | (b) | supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party |

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reasonably requests for the purposes of that other Party's compliance with FATCA; and

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|  | (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. |

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|  | 12.8.2 | If a Party confirms to another Party pursuant to Clause 12.8.1(a)(i) 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. |

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|  | 12.8.3 | Clause 12.8.1 shall not oblige any Finance Party to do anything, and Clause 12.8.1(c) shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of: |

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|  | (a) | any law or regulation; |

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|  | (b) | any fiduciary duty; or |

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|  | (c) | any duty of confidentiality. |

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|  | 12.8.4 | 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 12.8.1(a) or 12.8.1(b) (including, for the avoidance of doubt, where Clause 12.8.3 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. |

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|  | 12.8.5 | If a Borrower is a US Tax Obligor or the Agent believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of: |

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|  | (a) | where a Borrower is a US Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement; |

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|  | (b) | where a Borrower is a US Tax Obligor on a date on which any other Lender becomes a Party as a Lender, that date; or |

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| --- | --- | --- |
|  | (c) | where a Borrower is not a US Tax Obligor, the date of a request from the Agent, |

supply to the Agent:

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|  | (i) | a withholding certificate on Form W-8 or Form W-9 or any other relevant form; or |

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|  | (ii) | 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. |

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|  | 12.8.6 | The Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to Clause 12.8.5 to the Borrowers. |

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|  | 12.8.7 | If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Agent by a Lender pursuant to Clause 12.8.5 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 Borrowers. |

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|  | 12.8.8 | The Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to Clause 12.8.5 or 12.8.7 without further verification. The Agent shall not be liable for any action taken by it under or in connection with Clause 12.8.5, 12.8.6 or 12.8.7. |

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| 12.9 | **FATCA Deduction** |

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|  | 12.9.1 | 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. |

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|  | 12.9.2 | 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. |

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| **13** | **Increased Costs** |

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|  | 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 or CRD IV or any other law or regulation which implements Basel III, CRD IV or Basel 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:

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| --- | --- | --- |
|  | (a) | "**Basel III**"means: |

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|  | (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; |

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|  | (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 |

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|  | (iii) | any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III". |

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|  | (b) | "**Basel IV**"means any further agreements on capital requirements, a leverage ratio and liquidity standards and any further guidance published or to be published by the Basel Committee. |

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|  | (c) | "**CRD IV**"means: |

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|  | (i) | 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; |

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| --- | --- | --- |
|  | (ii) | 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; and |

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| --- | --- | --- |
|  | (iii) | any other law or regulation which implements Basel III. |

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|  | (d) | "**Increased Costs**" means: |

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|  | (i) | a reduction in the rate of return from the Loan or on a Finance Party's (or its Affiliate's) overall capital; |

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| --- | --- | --- |
|  | (ii) | an additional or increased cost; or |

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| --- | --- | --- |
|  | (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.

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| 13.2 | **Increased cost claims** |

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|  | 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. |

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|  | 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. |

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| 13.3 | **Exceptions** Clause 13.1 (*Increased costs*)does not apply to the extent any Increased Cost is: |

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|  | 13.3.1 | attributable to a Tax Deduction required by law to be made by a Borrower or a Guarantor; |

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|  | 13.3.2 | attributable to a FATCA Deduction required to be made by a Party; |

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|  | 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); |

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| --- | --- | --- |
|  | 13.3.4 | compensated for by the payment of the Mandatory Cost; or |

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| --- | --- | --- |
|  | 13.3.5 | attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation. |

In this Clause 13.3, a reference to a "**Tax Deduction**"has the same meaning given to the term in Clause 12.1 (*Definitions*).

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| **14** | **Other Indemnities** |

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| 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: |

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|  | 14.1.1 | making or filing a claim or proof against that Borrower or that Guarantor (as the case may be); or |

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|  | 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) as an independent obligation, within three Business Days of demand, indemnify each Secured 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 Secured 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.

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| 14.2 | **Other indemnities** |

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|  | 14.2.1 | The Borrowers shall, within three Business Days of demand, indemnify each Secured Party against any cost, loss or liability incurred by that Secured Party as a result of: |

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|  | (a) | the occurrence of any Event of Default; |

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|  | (b) | a failure by an Obligor to pay any amount due under a Finance Document on its due date, Including without limitation, any cost, loss or liability arising as a result of Clause 30 (*Sharing among the Finance Parties*); |

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| --- | --- | --- |
|  | (c) | funding, or making arrangements to fund, its participation in a Utilisation requested by the Borrowers in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or |

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|  | (d) | the Loan (or part of the Loan) not being prepaid in accordance with a notice of prepayment given by the Borrowers. |

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|  | 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, unless such cost, loss or liability is caused by the gross negligence or wilful misconduct of that Indemnified Person. Any Affiliate or any officer or employee of a Finance Party or its Affiliate may rely on this Clause 14.2 subject to Clause 1.7 (*Third party rights*)and the provisions of the Third Parties Act. |

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|  | 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: |

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|  | (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. |

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| 14.3 | **Indemnity to the Agent** The Borrowers shall promptly indemnify the Agent against: |

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|  | 14.3.1 | any cost, loss or liability incurred by the Agent as a result of: |

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|  | (a) | investigating any event which It believes is a Default; or |

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|  | (b) | acting or relying on any notice, request or instruction which it believes to be genuine, correct and appropriately authorised; or |

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|  | (e) | instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement; and |

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| --- | --- | --- |
|  | 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 31.11 (*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. |

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| 14.4 | **Indemnity to the Security Agent** Each Borrower and each Guarantor jointly and severally 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: |

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|  | 14.4.1 | any failure by the Borrowers to comply with their obligations under Clause 16 (*Costs and Expenses*); |

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| --- | --- | --- |
|  | 14.4.2 | acting or relying on any notice, request or instruction which it believes to be genuine, correct and appropriately authorised; |

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|  | 14.4.3 | the taking, holding, protection or enforcement of the Security Documents; |

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| --- | --- | --- |
|  | 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; |

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|  | 14.4.5 | any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or |

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| --- | --- | --- |
|  | 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). |

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| 14.5 | **Indemnity survival** The indemnities contained in this Agreement shall survive repayment of the Loan. |

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| **15** | **Mitigation by the Lenders** |

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| 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*)except in relation to a Sanctions Event, in which case only to the extent that the Finance Party determines, in its discretion, that the mitigating actions are in compliance with |

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Sanctions, 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 Obligor under the Finance Documents.

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| 15.2 | **Limitation of liability** The Borrowers shall promptly indemnify each Finance Party for all costs and expenses 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, to do so might be prejudicial to it. |

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| **16** | **Costs and Expenses** |

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| 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) incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with: |

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|  | 16.1.1 | the negotiation, preparation, printing, execution, syndication and perfection of this Agreement and any other documents referred to in this Agreement; |

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| --- | --- | --- |
|  | 16.1.2 | the negotiation, preparation, printing, execution and perfection of any other Finance Documents executed after the date of this Agreement; |

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| --- | --- | --- |
|  | 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; and |

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| --- | --- | --- |
|  | 16.1.4 | any discharge, release or reassignment of any of the Security Documents. |

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| 16.2 | **Amendment costs** If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 31.10 (*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) 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. |

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| 16.3 | **Agent and Security Agent's management time and additional remuneration** Any amount payable to the Agent under Clause 14.3 (*Indemnity to the Agent*)or to the Security Agent under Clause 14.4 (*Indemnity to the Security Agent*)or to either of them under this Clause 16 or Clause 27.11 (*Lenders' indemnity to the Agent*)shall include the cost of utilising the management time or other resources of the Agent or the Security Agent (as the case may be) and will be calculated on the basis of such daily or hourly rates as the Agent or the Security Agent may notify to the Borrowers and the Lenders, and is in addition to any other fee paid or payable to the Agent or the Security Agent. |

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| 16.4 | **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 |

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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 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.

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| 16.5 | **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 (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 in discharging any lien, bond or other claim relating in any way to a 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 from arrest or detention. |

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| **Section 7** | **Accounts and Application of Earnings** |

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| **17** | **Earnings Accounts** |

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| 17.1 | **Earnings Accounts** |

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|  | 17.1.1 | The Borrowers shall maintain the Earnings Accounts with the Account Holder for the duration of the Facility Period free of Encumbrances and rights of set off other than those created by or under the Finance Documents. |

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|  | 17.1.2 | No Borrower shall open any bank account except for the Earnings Accounts. |

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| 17.2 | **Earnings** Each Borrower shall procure that all Earnings in respect of its Vessel and any Requisition Compensation in respect of its Vessel are credited to its Earnings Account. |

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| 17.3 | **Withdrawals** |

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|  | 17.3.1 | During the Facility Period, sums may be withdrawn from the Earnings Accounts without the prior written consent of the Security Agent, provided that no Default is continuing and no notice has been given to the Borrowers by the Agent that any sums shall not be withdrawn from the Earnings Account as a result of any Event of Default. |

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|  | 17.3.2 | The Accounts shall not be overdrawn as a result of a withdrawal made in accordance with this Clause 17.3. |

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| 17.4 | **Application of Earnings Accounts** The Borrowers shall transfer or cause to be transferred from the Earnings Accounts to the Agent for the account of the Lenders: |

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|  | 17.4.1 | on each Repayment Date, the amount of the Repayment Instalment then due; and |

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|  | 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 if the Borrowers fail to do so on the relevant date.

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| 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. |

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| 17.6 | **Relocation of Earnings Accounts** On and at any time after the occurrence of a Default which is continuing, the Security Agent may without the consent of the Borrowers instruct the Account Holder to relocate either or both of the Earnings Accounts 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. |

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| 17.7 | **Access to information** The Security Agent (and its nominees) may from time to time during the Facility Period review the records held by the Account Holder |

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(whether in written or electronic form) in relation to the Earnings Accounts, and the Borrowers irrevocably waive any right of confidentiality which may exist in relation to those records.

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| 17.8 | **Statements** Without prejudice to the rights of the Security Agent under Clause 17.7 (*Access to information*),the Borrowers shall procure that the Account Holder provides to the Security Agent, no less frequently than each calendar month during the Facility Period, statements of account (in written or electronic form) showing all entries made to the credit and debit of each of the Earnings Accounts during the immediately preceding calendar month. |

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| **18** | **Additional Security** |

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| 18.1 | **VTL Coverage** |

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|  | 18.1.1 | If at any time the aggregate of the Market Value of the Vessels 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 all other cases)) for the time being provided to the Security Agent under this Clause 18.1 is less than 135% of the aggregate of the amount of the Loan then outstanding and the amount certified by the Swap Provider to be the amount which would be payable by the Borrowers to the Swap Provider and excluding any amount which would be payable to the Borrowers under the Master Agreement if an Early Termination Date were to occur at that time (the "**VTL Coverage**")**,** the Borrowers shall, within 30 days of the Agent's request, at the Borrowers' option: |

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|  | (a) | 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 |

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|  | (b) | give to the Security Agent other additional security in amount and form acceptable to the Security Agent for a value determined in accordance with the first part of this Clause 18.1.1; or |

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|  | (c) | prepay the Loan in the amount of the shortfall. |

Any prepayment under this Clause shall satisfy the obligations under Clause 6.1 (*Repayment of Loan*)on a pro rata basis first against the Utilisations and thereafter on a pro rata basis against the Repayment Instalments of each Utilisation.

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|  | 18.1.2 | Clauses 6.3 (*Reborrowing*),7.3.3 (*Voluntary prepayment of Loan*)and *7.7* (*Restrictions*)shall apply, *mutatis mutandis*,to any prepayment made under this Clause 18.1. |

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|  | 18.1.3 | If, at any time after the Borrowers have provided additional security in accordance with the Agent's request under this Clause 18.1, the Agent shall determine when testing compliance with the VTL Coverage that all or |

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any part of that additional security may be released without resulting in a shortfall in the VTL Coverage, then, provided that no Default is continuing, the Security Agent shall effect a release of all or any part of that additional security in accordance with the Agent's instructions, but this shall be without prejudice to the Agent's right to make a further request under this Clause 18.1 should the value of the remaining security subsequently merit it.

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| 18.2 | **Provision of valuations** |

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|  | 18.2.1 | The Borrowers shall provide to the Agent a valuation in evidence of the Market Value of a Vessel for the purpose of Clause 18.1 (*VTL Coverage*)semi-annually from the Utilisation Date in respect of that Vessel and on dates to be selected by the Agent. |

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|  | 18.2.2 | Additionally, the Agent shall at the request of the Lenders be entitled to obtain a valuation in evidence of the Market Value of a Vessel for the purpose of Clause 18.1 (*VTL Coverage*) *at* any time and each such valuation obtained shall be at the expense of the Lenders except where the Borrowers are by means of such valuation shown to be in breach of that Clause. |

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|  | 18.2.3 | If requested by the Agent, the Borrowers shall provide to the Agent within fifteen Business Days a second valuation issued by an Approved Shipbroker selected by the Agent and appointed by the Borrowers, and the Market Value of a Vessel shall be the arithmetic average of the two valuations by the two Approved Shipbrokers. |

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|  | 18.2.4 | The Agent may at any time after a Default has occurred and is continuing obtain a valuation in evidence of the Market Value of a Vessel or any other vessel over which additional security has been created in accordance with Clause 18.1 (*VTL Coverage*). |

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|  | 18.2.5 | All valuations referred to in this Clause 18.2, except where specified in Clause 18.2.2, and all valuations to be obtained pursuant to Clause 4 (*Conditions of Utilisation*)shall be obtained at the cost and expense of the Borrowers and the Borrowers shall within three Business Days of demand by the Agent pay to the Agent the amount of all such costs and expenses. |

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| **19** | **Guarantee and Indemnity** |

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| 19.1 | **Guarantee and indemnity** Each Guarantor irrevocably and unconditionally jointly and severally: |

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|  | 19.1.1 | guarantees to each Finance Party punctual performance by each other Obligor of all that Obligor's obligations under the Finance Documents; |

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|  | 19.1.2 | undertakes with each Finance Party that whenever another Obligor 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 |

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|  |  |  |
| --- | --- | --- |
|  | 19.1.3 | 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 an Obligor 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 19 if the amount claimed had been recoverable on the basis of a guarantee. |

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| 19.2 | **Continuing Guarantee** This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part. |

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| 19.3 | **Reinstatement** If any discharge, release or arrangement (whether In respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 19 will continue or be reinstated as if the discharge, release or arrangement had not occurred. |

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| 19.4 | **Waiver of defences** The obligations of each Guarantor under this Clause 19 will not be affected by an act, omission, matter or thing which, but for this Clause 19.4, would reduce, release or prejudice any of its obligations under this Clause 19 (without limitation and whether or not known to it or any Finance Party) including: |

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|  | 19.4.1 | any time, waiver or consent granted to, or composition with, any Obligor or other person; |

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|  | 19.4.2 | the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any Obligor or any other member of the Group; |

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|  | 19.4.3 | 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 Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security; |

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|  | 19.4.4 | any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person; |

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|  | 19.4.5 | 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 |

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any facility or the addition of any new facility under any Finance Document or other document or security;

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|  | 19.4.6 | any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or |

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| --- | --- | --- |
|  | 19.4.7 | any insolvency or similar proceedings. |

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| 19.5 | **Guarantor intent** Without prejudice to the generality of Clause 19.4 (*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. |

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| 19.6 | **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 19. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary. |

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| 19.7 | **Appropriations** Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may: |

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| --- | --- | --- |
|  | 19.7.1 | 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 |

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|  | 19.7.2 | hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 19. |

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| 19.8 | **Deferral of Guarantors' rights** Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Guarantor shall 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 19: |

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|  | 19.8.1 | to be indemnified by an Obligor; |

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| --- | --- | --- |
|  | 19.8.2 | to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents; |

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|  | 19.8.3 | 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; |

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|  | 19.8.4 | to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 19.1 (*Guarantee and indemnity*); |

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|  | 19.8.5 | to exercise any right of set-off against any Obligor; and/or |

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| --- | --- | --- |
|  | 19.8.6 | to claim or prove as a creditor of any Obligor 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 Obligors 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 31 (*Payment mechanics*).

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| 19.9 | **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. |

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| **Section 8** | **Representations, Undertakings and Events of Default** |

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| **20** | **Representations** |

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| 20.1 | **Representations** Each Borrower and each Guarantor makes the representations and warranties set out in this Clause 20 to each Finance Party. |

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|  | 20.1.1 | **Status** Each of the Obligors: |

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|  | (a) | is a limited liability corporation, duly Incorporated and validly existing under the law of its Original Jurisdiction; and |

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|  | (b) | has the power to own its assets and carry on its business as it is being conducted. |

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|  | 20.1.2 | **Binding obligations** Subject to the Legal Reservations: |

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|  | (a) | the obligations expressed to be assumed by each of the Obligors in each of the Relevant Documents to which it is a party are legal, valid, binding and enforceable obligations; and |

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|  | (b) | (without limiting the generality of Clause 20.1.2(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. |

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|  | 20.1.3 | **Non-conflict with other obligations** The entry into and performance by each of the Obligors of, and the transactions contemplated by, the Relevant Documents do not and will not conflict with: |

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|  | (a) | any law or regulation applicable to such Obligor; |

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|  | (b) | the constitutional documents of such Obligor; or |

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|  | (c) | any agreement or instrument binding upon such Obligor or any of such Obligor's assets or constitute a default or termination event (however described) under any such agreement or instrument. |

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|  | 20.1.4 | **Power and authority** |

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|  | (a) | Each of the Obligors 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. |

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|  | (b) | No limit on the powers of any Obligor 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. |

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|  | 20.1.5 | **Validity and admissibility in evidence** All Authorisations required or desirable: |

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|  | (a) | to enable each of the Obligors 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 Obligor 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*).

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|  | 20.1.6 | **Governing law and enforcement** |

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|  | (a) | The choice of governing law of any Finance Document will be recognised and enforced in the Relevant Jurisdictions of each relevant Obligor. |

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|  | (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 Obligor. |

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|  | 20.1.7 | **Insolvency** No corporate action, legal proceeding or other procedure or step described in Clause 24.1.7 (*Insolvency proceedings*)or creditors' process described in Clause 24.1.8 (*Creditors' process*)has been taken or, to the knowledge of any Borrower or any Guarantor, threatened in relation to an Obligor; and none of the circumstances described in Clause 24.1.6 (*Insolvency*)applies to an Obligor. |

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|  | 20.1.8 | **No filing or stamp taxes** Under the laws of the Relevant Jurisdictions of each relevant Obligor 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 Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except registration of each Mortgage at the Ships Registry where title to the relevant Vessel is registered in the ownership of the relevant Borrower 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. |

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|  | 20.1.9 | **Deduction of Tax** None of the Obligors is required under the law of its jurisdiction of incorporation to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Lender which is: |

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| --- | --- | --- |
|  | (a) | a Qualifying Lender falling within (a) of the definition of Qualifying Lender; or, except where a Direction has been given under section 931 of the ITA in relation to the payment concerned, a Qualifying Lender falling within (b) of the definition of Qualifying Lender; or |

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|  | (b) | a Treaty Lender and the payment is one specified in a direction given by the Commissioners of Revenue & Customs under Regulation 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (SI 1970/488). |

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|  | 20.1.10 | **No default** |

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| --- | --- | --- |
|  | (a) | No Event of Default and, on the date of this Agreement and each Utilisation Date, no Default is continuing or is likely to result from the advance of any Utilisation or the entry into, the performance of, or any transaction contemplated by, any of the Relevant Documents, |

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| --- | --- | --- |
|  | (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 (however described) under any other agreement or instrument which is binding on any of the Obligors or to which its assets are subject which has or is likely to have a Material Adverse Effect. |

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|  | 20.1.11 | **No misleading information** Save as disclosed in writing to the Agent and the Arranger prior to the date of this Agreement: |

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|  | (a) | all material information provided to a Finance Party by or on behalf of any of the Obligors 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 Obligors (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. |

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|  | 20.1.12 | **Financial statements** |

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| --- | --- | --- |
|  | (a) | The Original Financial Statements were prepared in accordance with GAAP consistently applied. |

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|  | (b) | The audited Original Financial Statements fairly represent the Group's financial condition and results of operations during the relevant financial year. |

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|  | (c) | There has been no material adverse change in the Group's assets, business or financial condition since the date of the Original Financial Statements. |

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|  | (d) | The Group's most recent financial statements delivered pursuant to Clause 21.1 (*Financial statements*): |

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| --- | --- | --- |
|  | (i) | have been prepared in accordance with GAAP as applied to the Original Financial Statements; and |

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| --- | --- | --- |
|  | (ii) | fairly represent its consolidated financial condition as at the end of, and its consolidated results of operations for, the period to which they relate. |

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|  | (e) | Since the date of the most recent financial statements delivered pursuant to Clause 21.1 (*Financial statements*)there has been no material adverse change in the assets, business or financial condition of the Group. |

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|  | 20.1.13 | **No proceedings** |

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|  | (a) | No litigation, arbitration or administrative proceedings or investigation of or before any court, arbitral body or agency which, if adversely determined, are likely to have a Material Adverse Effect have (to the best of its knowledge and belief (having made due and careful enquiry)) been started or threatened against any of the Obligors. |

|  |  |  |
| --- | --- | --- |
|  | (b) | No judgment or order of a court, arbitral body or agency which is likely to have a Material Adverse Effect has (to the best of its knowledge and belief (having made due and careful enquiry)) been made against any of the Obligors. |

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|  | 20.1.14 | **No breach of laws** None of the Obligors has breached any law or regulation which breach has or is likely to have a Material Adverse Effect. |

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|  | 20.1.15 | **Environmental laws** |

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|  | (a) | Each of the Obligors and each other member of the Group is in compliance with Clause 23.3 (*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 likely to have a Material Adverse Effect. |

|  |  |  |
| --- | --- | --- |
|  | (b) | No Environmental Claim has been commenced or (to the best of its knowledge and belief (having made due and careful enquiry)) is threatened against any of the Obligors or any other member of the Group where that claim has or is likely, if determined against that Obligor or other member of the Group, to have a Material Adverse Effect. |

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|  | 20.1.16 | **Taxation** |

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|  | (a) | None of the Obligors is materially overdue in the filing of any Tax returns or is overdue in the payment of any amount in respect of Tax. |

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| --- | --- | --- |
|  | (b) | No claims or investigations are being, or are likely to be, made or conducted against any of the Obligors with respect to Taxes. |

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| --- | --- | --- |
|  | (c) | Each of the Obligors is resident for Tax purposes only in its Original Jurisdiction. |

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|  | 20.1.17 | **Anti-corruption law** Each of the Obligors and, to their knowledge, each other member of the Group 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. |

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|  | 20.1.18 | **No Encumbrance or Financial Indebtedness** |

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| --- | --- | --- |
|  | (a) | No Encumbrance or Quasi-Security exists over all or any of the present or future assets of any of the Borrowers other than as permitted by the Finance Documents. |

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| --- | --- | --- |
|  | (b) | None of the Borrowers has any Financial Indebtedness outstanding other than as permitted by this Agreement. |

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|  | 20.1.19 | **Pari passu ranking** The payment obligations of each of the Obligors 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. |

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|  | 20.1.20 | **No adverse consequences** |

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|  | (a) | It is not necessary under the laws of the Relevant Jurisdictions of any of the Obligors: |

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| --- | --- | --- |
|  | (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 Obligors.

|  |  |  |
| --- | --- | --- |
|  | (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 Obligors by reason only of the execution, performance and/or enforcement of any Finance Document. |

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|  | 20.1.21 | **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 changed the decision of a person willing to make loan facilities of the nature contemplated by this Agreement available to the Borrowers. |

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|  | 20.1.22 | **Completeness of Relevant Documents** The copies of any Relevant Documents provided or to be provided by the Borrowers to the Agent in |

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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.

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|  | 20.1.23 | **No immunity** No Obligor or any of its assets is immune to any legal action or proceeding. |

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|  | 20.1.24 | **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 ((EU) 2015/849) of the European Parliament and of the Council of the European Communities. |

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|  | 20.1.25 | **Sanctions** |

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|  | (a) | None of the Obligors, and to the knowledge of the Obligors, no other member of the Group or any Affiliate of any of them is a Prohibited Person or is owned or controlled by, or acting directly or indirectly on behalf of or for the benefit of, a Prohibited Person and none of such persons owns or controls a Prohibited Person. |

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|  | (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. |

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|  | (c) | Each of the Obligors, and to the knowledge of the Obligors, no other member of the Group and each Affiliate of any of them is in compliance with all Sanctions. |

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| 20.2 | **Repetition** Each Repeating Representation Is deemed to be made by each Borrower and each Guarantor by reference to the facts and circumstances then existing on the date of each Utilisation Request, on each Utilisation Date, on the first day of each Interest Period and, in the case of those contained in Clauses 20.1.12(c) and 20.1.12(e) (*Financial statements*)and for so long as any amount is outstanding under the Finance Documents or any Commitment is in force. |

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| **21** | **Information Undertakings** |

The undertakings in this Clause 21 remain in force for the duration of the Facility Period.

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|  | 21.1 | **Financial statements** The Original Guarantor shall supply to the Agent in sufficient copies for all of the Lenders: |

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|  | 21.1.1 | 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. |

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|  | 21.1.2 | 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, the unaudited quarterly financial statements for that quarter in the form in which they were published in the relevant press release provided that such form is compliant with the requirements of the US Securities and Exchange Commission. |

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| 21.2 | **Compliance Certificat**e |

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|  | 21.2.1 | The Original Guarantor shall supply to the Agent, with each set of its annual financial statements delivered pursuant to Clause 21.1.1 (*Financial statements*)and each set of its quarterly financial statements delivered pursuant to Clause 21.1.2 (*Financial statements*),a Compliance Certificate setting out (in detail) computations as to compliance with Clause 22 (*Financial Covenants*)as at the date as at which those financial statements were drawn up. |

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|  | 21.2.2 | Each Compliance Certificate shall be signed by the chief financial officer of the Original Guarantor. |

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| 21.3 | **Requirements as to financial statements** |

Each set of financial statements delivered pursuant to Clause 21.1 (*Financial statements*)*:*

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|  | 21.3.1 | shall be certified by a director of the Original Guarantor as fairly representing its financial condition and operations as at the date as at which those financial statements were drawn up; |

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| --- | --- | --- |
|  | 21.3.2 | 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 required by the Agent, to enable the Agent to determine whether Clause 22 (*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.

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| 21.4 | **Information; miscellaneous** The Original Guarantor shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests): |

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|  | 21.4.1 | 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 Obligor to its creditors generally (or any class of them); |

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| --- | --- | --- |
|  | 21.4.2 | promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any Obligor and which, if adversely determined, are likely to have a Material Adverse Effect; |

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| --- | --- | --- |
|  | 21.4.3 | promptly upon becoming aware of them, the details of any judgment or order of a court, arbitral body or agency which is made against any Obligor and which is likely to have a Material Adverse Effect; |

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| --- | --- | --- |
|  | 21.4.4 | promptly, such information and documents as the Security Agent may require about the Charged Property and compliance of the Obligors with the terms of any Security Documents (including without limitation cash flow analyses and details of the operating costs of any Vessel); and |

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| --- | --- | --- |
|  | 21.4.5 | promptly on request, such further information regarding the financial condition, assets and operations of any Obligor or any other member of the Group (including any requested amplification or explanation of any item in the financial statements, budgets or other material provided by any Obligor under this Agreement, any changes to management of the Group and an up to date copy of its shareholders' register (or equivalent in its Original Jurisdiction)) as any Finance Party through the Agent may request. |

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| 21.5 | **Notification of default** |

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|  | 21.5.1 | Each Borrower and each Guarantor shall notify the Agent of any Default and any Sanctions Event (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence. |

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|  | 21.5.2 | 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). |

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| 21.6 | **"Know your customer" checks** |

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|  | 21.6.1 | If: |

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| --- | --- | --- |
|  | (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; |

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| --- | --- | --- |
|  | (b) | any change in the status of an Obligor (or of a Holding Company of an Obligor) or the composition of the shareholders of an Obligor (or |

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of a Holding Company of an Obligor) 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 21.6.1(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 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 21.6.1(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 21.6.1(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.

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|  | 21.6.2 | Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is 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. |

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|  | 21.6.3 | The Borrowers shall, by not less than ten Business Days' prior written notice to the Agent, notify the Agent (which shall promptly notify the Lenders) of the intention to request that any other member of the Group becomes an Additional Guarantor pursuant to Clause 26 (*Changes to the Obligors*). |

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| --- | --- | --- |
|  | 21.6.4 | Following the giving of any notice pursuant to Clause 21.6.3, if the accession of such Additional Guarantor 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 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 such member of the Group to this Agreement as an Additional Guarantor. |

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| **22** | **Financial Covenants** |

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| 22.1 | **Minimum liquidity** The Original Guarantor shall maintain throughout the Facility Period an aggregate amount of (a) Cash and (b) Cash Equivalents not less than the higher of: |

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| --- | --- | --- |
|  | 22.1.1 | (a) $8,000,000 at all times during the Facility Period plus (b) $1,000,000 per tanker Fleet Vessel (other than the Vessels), if any; and |

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| --- | --- | --- |
|  | 22.1.2 | 7.5% of the Total Debt. |

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| 22.2 | **Minimum working capital** The Original Guarantor shall maintain Working Capital greater than zero dollars throughout the Facility Period. |

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| 22.3 | **Minimum Equity Ratio** The Original Guarantor shall maintain a Value Adjusted Equity Ratio at a minimum of 35%. |

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| **23** | **General Undertakings** |

The undertakings in this Clause 22.1 remain in force for the duration of the Facility Period.

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| 23.1 | **Authorisations** Each Borrower and each Guarantor shall promptly: |

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| --- | --- | --- |
|  | 23.1.1 | obtain, comply with and do all that is necessary to maintain in full force and effect; and |

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| --- | --- | --- |
|  | 23.1.2 | supply certified copies to the Agent of, |

any Authorisation required under any law or regulation of a Relevant Jurisdiction to:

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| --- | --- | --- |
|  | (a) | enable any Obligor to perform its obligations under the Finance Documents to which it is a party; |

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| --- | --- | --- |
|  | (b) | ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document; and |

|  |  |  |
| --- | --- | --- |
|  | (c) | enable any Obligor to carry on its business where failure to do so has or is likely to have a Material Adverse Effect. |

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| 23.2 | **Compliance with laws** |

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| --- | --- | --- |
|  | 23.2.1 | Each Borrower and each Guarantor shall comply (and shall procure that each other Obligor, each other member of the Group and each Affiliate of any of them will comply), in all respects with all laws to which it may be subject, if (except as regards Sanctions, to which Clause 23.2.2 applies, and anti-corruption laws, to which Clause 23.5 applies) failure so to comply has or is likely to have a Material Adverse Effect. |

|  |  |  |
| --- | --- | --- |
|  | 23.2.2 | Each Borrower and each Guarantor shall comply (and shall procure that each other Obligor, each other member of the Group and each Affiliate of any of them will comply) in all respects with all Sanctions. |

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| 23.3 | **Environmental compliance** |

Each Borrower and each Guarantor shall:

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| --- | --- | --- |
|  | 23.3.1 | comply with all Environmental Laws; |

|  |  |  |
| --- | --- | --- |
|  | 23.3.2 | obtain, maintain and ensure compliance with all requisite Environmental Approvals; and |

|  |  |  |
| --- | --- | --- |
|  | 23.3.3 | implement procedures to monitor compliance with and to prevent liability under any Environmental Law, |

where failure to do so has or is likely to have a Material Adverse Effect.

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| 23.4 | **Environmental Claims** |

Each Borrower and each Guarantor shall promptly upon becoming aware of the same, inform the Agent in writing of:

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|  | 23.4.1 | any Environmental Claim against any of the Obligors or any other member of the Group which is current, pending or threatened; and |

|  |  |  |
| --- | --- | --- |
|  | 23.4.2 | any facts or circumstances which are likely to result in any Environmental Claim being commenced or threatened against any of the Obligors or any other member of the Group, |

where the claim, if determined against that Obligor or other member of the Group, has or is likely to have a Material Adverse Effect.

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| 23.5 | **Anti-corruption law** |

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|  | 23.5.1 | Each Borrower and each Guarantor shall not (and, should they be aware of it, shall procure that no other Obligor or no other member of the Group 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. |

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| --- | --- | --- |
|  | 23.5.2 | Each Borrower and each Guarantor shall (and, should they be aware of it, shall procure that each other Obligor and each other member of the Group will): |

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| --- | --- | --- |
|  | (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. |

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| 23.6 | **Taxation** |

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| --- | --- | --- |
|  | 23.6.1 | Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) 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: |

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|  | (a) | such payment is being contested in good faith; |

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| --- | --- | --- |
|  | (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 21.1 (*Financial statements*);and |

|  |  |  |
| --- | --- | --- |
|  | (c) | such payment can be lawfully withheld and failure to pay those Taxes does not have or is not likely to have a Material Adverse Effect. |

|  |  |  |
| --- | --- | --- |
|  | 23.6.2 | Neither any Borrower nor any Guarantor may (and no other Obligor or other member of the Group may) change its residence for Tax purposes. |

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| 23.7 | **Evidence of good standing** Each Borrower and each Guarantor will from time to time, if applicable and if requested by the Agent, provide the Agent with evidence in form and substance satisfactory to the Agent that each Obligor and each corporate shareholder of an Obligor (other than the Original Guarantor) remains in good standing. |

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| 23.8 | **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. |

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| 23.9 | **Negative pledge** |

In this Clause 23.9 "**Quasi-Security**" means an arrangement or transaction described in Clause 23.9.2.

Except as permitted under Clause 23.9.3:

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|  | 23.9.1 | None of the Borrowers shall create nor permit to subsist any Encumbrance over any of its assets. |

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|  | 23.9.2 | None of the Borrowers shall: |

|  |  |  |
| --- | --- | --- |
|  | (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 an Obligor or any other member of the Group; |

|  |  |  |
| --- | --- | --- |
|  | (b) | sell, transfer or otherwise dispose of any of its receivables on recourse terms; |

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| --- | --- | --- |
|  | (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, |

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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.

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| --- | --- | --- |
|  | 23.9.3 | Clauses 23.9.1 and 23.9.2 do not apply to any Encumbrance or (as the case may be) Quasi-Security, which is a Permitted Encumbrance. |

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| 23.10 | **Disposals** |

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|  | 23.10.1 | Except as permitted under Clause 23.10.2, none of the Borrowers shall 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. |

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| --- | --- | --- |
|  | 23.10.2 | Clause 23.10.1 does not apply to any sale, lease, transfer or other disposal which is a Permitted Disposal or any time charter or contract of employment in respect of a Vessel, which is not a Charter. |

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| 23.11 | **Arm's length basis** |

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|  | 23.11.1 | Except as permitted under Clause 23.11.2, none of the Borrowers shall enter into any transaction with any person except on arm's length terms and for full market value. |

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| --- | --- | --- |
|  | 23.11.2 | The following transactions shall not be a breach of this Clause 23.11: 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. |

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| 23.12 | **Merger** None of the Borrowers shall enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction. |

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| 23.13 | **Change of business** None of the Borrowers shall make any substantial change to the general nature of its business from that carried on at the date of this Agreement. |

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| 23.14 | **No other business** None of the Borrowers shall engage in any business other than the ownership, operation, chartering and management of the relevant Vessel. |

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| 23.15 | **No acquisitions** None of the Borrowers shall 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. |

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| 23.16 | **No Joint Ventures** None of the Borrowers: |

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| --- | --- | --- |
|  | 23.16.1 | enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture; or |

|  |  |  |
| --- | --- | --- |
|  | 23.16.2 | 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). |

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| --- | --- |
| 23.17 | **No borrowings** None of the Borrowers shall incur or allow to remain outstanding any Financial Indebtedness (except for the Loan). |

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| --- | --- |
| 23.18 | **No substantial liabilities** Except in the ordinary course of business, none of the Borrowers shall incur any liability to any third party which is in the Agent's opinion of a substantial nature. |

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| --- | --- |
| 23.19 | **No loans or credit** None of the Borrowers shall be a creditor in respect of any Financial Indebtedness. |

|  |  |
| --- | --- |
| 23.20 | **No guarantees or indemnities** No Borrower shall incur or allow to remain outstanding any guarantee in respect of any obligation of any person. |

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| --- | --- |
| 23.21 | **No dividends** |

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| --- | --- | --- |
|  | 23.21.1 | Each Borrower may: |

|  |  |  |
| --- | --- | --- |
|  | (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; |

|  |  |  |
| --- | --- | --- |
|  | (c) | pay any management, advisory or other fee to or to the order of any of the shareholders of the Original Guarantor; |

|  |  |  |
| --- | --- | --- |
|  | (d) | redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; or |

|  |  |  |
| --- | --- | --- |
|  | (e) | issue any new shares in its share capital or resolve to do so, |

**Provided that** no Event of Default has occurred, or would occur as a result of any action referred to in Clause 23.21.1 (a) to (e) above.

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| --- | --- | --- |
|  | 23.21.2 | The Original Guarantor may: |

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| --- | --- | --- |
|  | (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; |

|  |  |  |
| --- | --- | --- |
|  | (c) | pay any management, advisory or other fee to or to the order of any of the shareholders of the Original Guarantor; |

|  |  |  |
| --- | --- | --- |
|  | (d) | redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so, |

**Provided that:**

|  |  |  |
| --- | --- | --- |
|  | (i) | the cash balances of the Original Guarantor (as evidenced by the latest financial statements) following any action referred to in Clause 23.21.2 (a) to (d) above shall not be |

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less than the higher of (A) $8,000,000 and (B) 12.5% of the Total Debt; and

|  |  |  |
| --- | --- | --- |
|  | (ii) | no Event of Default has occurred, or would occur as a result of any action referred to in Clause 23.21.2 (a) to (d) above. |

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| --- | --- |
| 23.22 | **People with significant control regime** Each Borrower and each Guarantor shall (and shall procure that each other Obligor will): |

|  |  |  |
| --- | --- | --- |
|  | 23.22.1 | within the relevant timeframe, comply with any notice it receives pursuant to Part 21A of the Companies Act 2006 from any company incorporated in the United Kingdom whose shares are the subject of any Security Document; and |

|  |  |  |
| --- | --- | --- |
|  | 23.22.2 | promptly provide the Security Agent with a copy of that notice. |

|  |  |
| --- | --- |
| 23.23 | **Inspection of records** Each Borrower and each Guarantor will permit the inspection of its financial records and accounts from time to time by the Agent or its nominee. |

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| --- | --- |
| 23.24 | **No change in Relevant Documents** Neither any Borrower nor any Guarantor shall (and the Borrowers shall procure that no other will) amend, vary, novate, supplement, supersede, waive or terminate any term of, any of the Relevant Documents which are not Finance Documents, or any other document delivered to the Agent pursuant to Clause 4.1 (*Initial conditions precedent*)or Clause 4.2 (*Further conditions precedent*)or Clause 4.3 (*Conditions subsequent*), |

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| --- | --- |
| 23.25 | **Further assurance** |

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| --- | --- | --- |
|  | 23.25.1 | Each Borrower and each Guarantor shall (and shall procure that each other Obligor will) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may specify (and in such form as the Security Agent may 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 Obligor or that other member of the Group 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 |

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|  |  |  |
| --- | --- | --- |
|  | (c) | to facilitate the realisation of the assets which are, or are intended to be, the subject of the Security Documents. |

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| --- | --- | --- |
|  | 23.25.2 | Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) 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. |

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| 23.26 | **Sanctions** |

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|  | 23.26.1 | Each Borrower and each Guarantor shall (and, should they be aware of it, shall procure that the other members of the Group shall) have implemented and maintain in effect policies and procedures designed to promote and ensure compliance by them and their respective directors, officers, employees with Sanctions and anti-corruption laws and regulations. |

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|  | 23.26.2 | The Borrowers will not request any utilisation of the Loan and they will not use (and, should they be aware of it, shall procure that no other member of the Group, nor its or their respective directors or officers use) the proceeds of the Loan for the purpose of funding, financing or facilitating any activities, business or transaction of or with any a Prohibited Person or otherwise in violation of any Sanctions. |

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|  | 23.26.3 | Each Borrower and each Guarantor shall (and, should they be aware of it, shall procure that each other Obligor and each other member of the Group shall) comply with all Sanctions and anti-corruption laws and regulations and are not engaged in any activity that constitutes or could reasonably be expected to result in a Sanctions Event. |

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| 23.27 | **No dealings with Master Agreement** No Borrower shall assign, novate or encumber or in any other way transfer any of its rights or obligations under the Master Agreement, nor enter into any interest rate exchange or hedging agreement with anyone other than the Swap Provider. |

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| 23.28 | **US listing** |

The Original Guarantor shall remain listed in the New York Stock Exchange (NASDAQ) throughout the Facility Period.

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| 23.29 | **Charter-in tonnage** |

The Original Guarantor and its Subsidiaries shall not charter-in tonnage any Vessel without the prior consent of the Lenders.

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| 23.30 | **Green scrapping** |

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|  | 23.30.1 | Each Borrower shall use endeavours (including the implementation of internal policies) to ensure that any scrapping of its Vessel is carried out in |

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accordance with the Hong Kong Convention and the IMO Convention for the Safe and Environmentally Sound Recycling of Ships.

|  |  |  |
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|  | 23.30.2 | Each Borrower shall obtain and maintain a green passport notification (based on the inventory of hazardous materials) for its Vessel from the relevant classification society on or prior to the relevant Utilisation Date, other than in respect of Vessel D for which Borrower D shall obtain and maintain a green passport notification as soon as possible upon the Agent's request following the Utilisation Date relating to Vessel D provided that such green passport notification has become mandatory pursuant to any applicable law or regulation. |

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| 23.31 | **Poseidon Principles**  The Borrowers shall, upon the request of a Finance Party and at the cost of the Borrowers, on or before 31st July in each year, supply or procure the supply to Agent of all information necessary in order for a Finance Party to comply with its obligations under the Poseidon Principles in respect of the preceding year, including, without limitation, all ship fuel oil consumption data required to be collected and reported in accordance with Regulation 22A of Annex VI and any Statement of Compliance, together with a Carbon Intensity and Climate Alignment Certificate in each case relating to the Vessels for the preceding year provided always that no Finance Party shall publicly disclose such information with the identity of the Vessel without the prior written consent of the Borrowers. For the avoidance of doubt, such information shall be "**Confidential Information**"for the purposes of Clause 38.1 (*Confidential Information*)but each Borrower acknowledges that, in accordance with the Poseidon Principles, such information will form part of the information published regarding the relevant Finance Party's portfolio climate alignment. |

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| 23.32 | **Subordination of shareholder loans** The Borrowers shall subordinate any shareholder loans and/or intercompany borrowings to the Loan and shall procure that they are given on terms and conditions acceptable to the Agent. |

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| **24** | **Events of Default** |

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| 24.1 | **Events of Default** Each of the events or circumstances set out in this Clause 24.1 is an Event of Default. |

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|  | 24.1.1 | **Non-payment** An Obligor 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: |

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|  | (a) | its failure to pay is caused by: |

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|  | (i) | administrative or technical error; or |

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| --- | --- | --- |
|  | (ii) | a Disruption Event; and |

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| --- | --- | --- |
|  | (b) | payment is made within two Business Days of its due date. |

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|  | 24.1.2 | **Other specific obligations** |

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| --- | --- | --- |
|  | (a) | Any requirement of Clause 22 (*Financial Covenants*)is not satisfied. |

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| --- | --- | --- |
|  | (b) | An Obligor does not comply with any obligation in a Finance Document relating to the Insurances or with Clause 7.5 (*Mandatory prepayment on sale or Total Loss*)or with Clause 18.1 (*Additional security*). |

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| --- | --- | --- |
|  | 24.1.3 | **Other obligations** |

|  |  |  |
| --- | --- | --- |
|  | (a) | An Obligor does not comply with any provision of a Finance Document (other than those referred to in Clause 24.1.1 (*Non-payment*)and Clause 24.1.2 (*Other specific obligations*). |

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| --- | --- | --- |
|  | (b) | No Event of Default under this Clause 24.1.3 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. |

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|  | 24.1.4 | **Misrepresentation** Any representation or statement made or deemed to be made by an Obligor in any Finance Document or any other document delivered by or on behalf of an Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading when made or deemed to be made. |

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|  | 24.1.5 | **Cross default** |

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|  | (a) | Any Financial Indebtedness of an Obligor is not paid when due nor within any originally applicable grace period. |

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| --- | --- | --- |
|  | (b) | Any Financial Indebtedness of an Obligor is declared to be, or otherwise becomes, due and payable prior to its specified maturity as a result of an event of default (however described). |

|  |  |  |
| --- | --- | --- |
|  | (c) | Any commitment for any Financial Indebtedness of an Obligor is cancelled or suspended by a creditor of an Obligor as a result of an event of default (however described). |

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| --- | --- | --- |
|  | (d) | Any creditor of an Obligor becomes entitled to declare any Financial Indebtedness of an Obligor due and payable prior to its specified maturity as a result of an event of default (however described). |

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| --- | --- | --- |
|  | (e) | No Event of Default will occur under this Clause 24.1.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within (a) to (f) is less than $10,000,000 (or its equivalent in any other currency or currencies). |

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|  | 24.1.6 | **Insolvency** |

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| --- | --- | --- |
|  | (a) | An Obligor: |

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| --- | --- | --- |
|  | (i) | is unable or admits inability to pay its debts as they fall due; |

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| --- | --- | --- |
|  | (ii) | is deemed to, or is declared to, be unable to pay its debts under applicable law; |

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| --- | --- | --- |
|  | (iii) | suspends or threatens to suspend making payments on any of its debts; or |

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|  | (iv) | 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. |

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|  | (b) | The value of the assets of an Obligor is less than its liabilities (taking into account contingent and prospective liabilities). |

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|  | (c) | A moratorium is declared in respect of any indebtedness of an Obligor. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium. |

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|  | 24.1.7 | **Insolvency proceedings** Any corporate action, legal proceedings or other procedure or step is taken in relation to: |

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|  | (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 an Obligor; |

|  |  |  |
| --- | --- | --- |
|  | (b) | a composition, compromise, assignment or arrangement with any creditor of an Obligor; |

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| --- | --- | --- |
|  | (c) | the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, trustee or other similar officer in respect of an Obligor or any of its assets; or |

|  |  |  |
| --- | --- | --- |
|  | (d) | enforcement of any Encumbrance over any assets of an Obligor, |

or any analogous procedure or step is taken in any jurisdiction.

This Clause 24.1.7 shall not apply to (i) any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement or (ii) any arrest or detention of a Vessel from which that Vessel is released within 14 days from the date of that arrest or detention.

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|  | 24.1.8 | **Creditors' process** Any expropriation, attachment, sequestration, distress or execution (or any analogous process in any jurisdiction) affects any asset or assets of an Obligor and is not discharged within 30 days. |

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|  | 24.1.9 | **Unlawfulness and invalidity** |

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|  | (a) | It is or becomes unlawful for an Obligor 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 Obligor 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. |

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|  | (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. |

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|  | 24.1.10 | **Cessation of business** An Obligor ceases, or threatens to cease, to carry on all or a substantial part of its business except as a result of a Permitted Disposal, |

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| --- | --- | --- |
|  | 24.1.11 | **Expropriation** The authority or ability of an Obligor 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 an Obligor or any of its assets, |

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| --- | --- | --- |
|  | 24.1.12 | **Repudiation and rescission of agreements** |

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|  | (a) | An Obligor 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. |

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| --- | --- | --- |
|  | (b) | Subject to Clause 24.1.12(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, |

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| --- | --- | --- |
|  | (c) | Any of the Management Agreements is terminated, cancelled or otherwise ceases to remain in full force and effect at any time prior to its contractual expiry date and is not immediately replaced by a similar agreement in form and substance satisfactory to the Majority Lenders. |

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|  | 24.1.13 | **Conditions subsequent** Any of the conditions referred to in Clause 4.3 (*Conditions subsequent*)is not satisfied within the time required by the Agent. |

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|  | 24.1.14 | **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 Obligors 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. |

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|  | 24.1.15 | **Reduction of capital** A Borrower reduces its authorised or issued or subscribed capital. |

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|  | 24.1.16 | **Challenge to registration** The registration of a Vessel or a Mortgage is contested or becomes void or voidable or liable to cancellation or termination, or the validity or priority of a Mortgage is contested. |

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|  | 24.1.17 | **War** The country of registration of a Vessel becomes involved in war (whether or not declared) or civil war or is occupied by any other power and the Agent considers that, as a result, the security conferred by any of the Security Documents is materially prejudiced. |

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|  | 24.1.18 | **Master Agreement termination** A notice is given by the Swap Provider under section 6(a) of the Master Agreement, or by any person under section 6(b)(iv) of the Master Agreement, in either case designating an Early Termination Date for the purpose of the Master Agreement, or the Master Agreement is for any other reason terminated, cancelled, suspended, rescinded, revoked or otherwise ceases to remain in full force and effect. |

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|  | 24.1.19 | **Notice of determination** A Guarantor gives notice to the Security Agent to determine any obligations under the relevant Guarantee. |

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|  | 24.1.20 | **Litigation** Any litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency are started or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to the Relevant Documents or the transactions contemplated in the Relevant Documents or against (a) an Obligor or its assets which have, or has, or are, or is, likely to have a Material Adverse Effect, or (b) any other member of the Group or its assets which have, or has a Material Adverse Effect. |

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|  | 24.1.21 | **Material adverse change** Any event or circumstance occurs which the Majority Lenders believe has or is likely to have a Material Adverse Effect. |

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|  | 24.1.22 | **Group impact** Any event or circumstance of those referred to in Clauses 24.1.5 (*Cross default*),24.16 (*Insolvency*),24.1.7 (*Insolvency proceedings*),24.1.8 (*Creditors' process*),24.1.10 (*cessation of business*)and 24.1.12 (*Expropriation*)occurs in respect of a member of the Group which the Majority Lenders believe has a significant impact on the financial status of the Group. |

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| 24.2 | **Acceleration** On and at any time after the occurrence of an Event of Default the Agent may, and shall if so directed by the Majority Lenders: |

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|  | 24.2.1 | by notice to the Borrowers: |

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|  | (a) | cancel the Total Commitments, at which time they shall immediately be cancelled; |

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| --- | --- | --- |
|  | (b) | declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or |

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|  | (c) | declare that all or part of the Loan be 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 |

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|  | 24.2.2 | exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents. |

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| **Section 9** | **Changes to Parties** |

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| **25** | **Changes to the Lenders** |

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| 25.1 | **Assignments and transfers by the Lenders**  Subject to this Clause 25, a Lender (the "**Existing Lender**")may: |

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|  | 25.1.1 | assign any of its rights; or |

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| --- | --- | --- |
|  | 25.1.2 | 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**").

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| 25.2 | **Conditions of assignment or transfer** |

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|  | 25.2.1 | An Existing Lender must consult with the Borrowers days before it may make an assignment or transfer in accordance with Clause 25.1 (*Assignments and transfers by the Lenders*)unless the assignment or transfer is: |

|  |  |  |
| --- | --- | --- |
|  | (a) | to another Lender or an Affiliate of any Lender; |

|  |  |  |
| --- | --- | --- |
|  | (b) | to a fund which is a Related Fund of that Existing Lender; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | made at a time when an Event of Default is continuing. |

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|  | 25.2.2 | An assignment will only be effective on: |

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| --- | --- | --- |
|  | (a) | receipt by the Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (In form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties and the other Secured Parties as it would have been under if it had been 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. |

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|  | 25.2.3 | A transfer will only be effective if the procedure set out in Clause 25.5 (*Procedure for transfer*)is complied with. |

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|  | 25.2.4 | If: |

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| --- | --- | --- |
|  | (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 or a Guarantor would be |

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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. This Clause 25.2.4 shall not apply:

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| --- | --- | --- |
|  | (c) | in respect of an assignment or transfer made in the ordinary course of the primary syndication of the Loan; or |

|  |  |  |
| --- | --- | --- |
|  | (d) | in relation to Clause 12.2 (*Tax gross-up*),to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with Clause 12.2.7(b)(ii) (*Tax gross-up*)if the Borrower making the payment has not made a Borrower DTTP Filing in respect of that Treaty Lender. |

|  |  |  |
| --- | --- | --- |
|  | 25.2.5 | Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders In accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender. |

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| 25.3 | **Assignment or transfer fee** |

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|  | 25.3.1 | Subject to Clause 25.3.2, 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 $10,000. |

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| --- | --- | --- |
|  | 25.3.2 | No fee is payable pursuant to Clause 25.3.1 if: |

|  |  |  |
| --- | --- | --- |
|  | (a) | the Agent agrees that no fee is payable; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | the assignment or transfer is made by an Existing Lender: |

|  |  |  |
| --- | --- | --- |
|  | (i) | to an Affiliate of that Existing Lender; |

|  |  |  |
| --- | --- | --- |
|  | (ii) | to a fund which is a Related Fund of that Existing Lender; or |

|  |  |  |
| --- | --- | --- |
|  | (iii) | in connection with primary syndication of the Loan. |

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| --- | --- |
| 25.4 | **Limitation of responsibility of Existing Lenders** |

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|  | 25.4.1 | Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for: |

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| --- | --- | --- |
|  | (a) | the legality, validity, effectiveness, adequacy or enforceability of the Relevant Documents or any other documents; |

|  |  |  |
| --- | --- | --- |
|  | (b) | the financial condition of any Obligor; |

|  |  |  |
| --- | --- | --- |
|  | (c) | the performance and observance by any Obligor or any other member of the Group 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.

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| --- | --- | --- |
|  | 25.4.2 | 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 Obligor and each other member of the Group 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 Obligor and each other member of the Group and its related entities while any amount is or may be outstanding under the Finance Documents or any Commitment is in force. |

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| --- | --- | --- |
|  | 25.4.3 | 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 25; or |

|  |  |  |
| --- | --- | --- |
|  | (b) | support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Relevant Documents or otherwise. |

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| --- | --- |
| 25.5 | **Procedure for transfer** |

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| --- | --- | --- |
|  | 25.5.1 | Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*)a transfer is effected in accordance with Clause 25.5.3 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 25.2.2(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. |

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|  | 25.5.2 | 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, |

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| --- | --- | --- |
|  | 25.5.3 | Subject to Clause 25.9 (*Pro rata interest settlement*),on the Transfer Date: |

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| --- | --- | --- |
|  | (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 the Finance Documents; and |

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|  | (d) | the New Lender shall become a Party as a "Lender". |

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| 25.6 | **Procedure for assignment** |

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|  | 25.6.1 | Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*)an assignment may be effected in accordance with Clause 25.6.3 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 25.6.2, 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. |

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|  | 25.6.2 | 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 other |

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similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.

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|  | 25.6.3 | Subject to Clause 25.9 (*Pro rata interest settlement*),on the Transfer Date: |

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|  | (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; |

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| --- | --- | --- |
|  | (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 |

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| --- | --- | --- |
|  | (c) | the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations. |

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|  | 25.6.4 | Lenders may utilise procedures other than those set out in this Clause 25.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligor or unless in accordance with Clause 25.5 (*Procedure for transfer*),to obtain a release by that Obligor from the obligations owed to that Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*). |

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| 25.7 | **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. |

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| 25.8 | **Security over Lenders' rights** In addition to the other rights provided to Lenders under this Clause 25, each Lender may without consulting with or obtaining consent from any Obligor, 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: |

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|  | 25.8.1 | any charge, assignment or other Encumbrance to secure obligations to a federal reserve or central bank; and |

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| --- | --- | --- |
|  | 25.8.2 | 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:

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|  |  |  |
| --- | --- | --- |
|  | (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 |

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| --- | --- | --- |
|  | (b) | require any payments to be made by an Obligor 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. |

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| 25.9 | **Pro rata interest settlement** |

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|  | 25.9.1 | 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 25.5 (*Procedure for transfer*)or any assignment pursuant to Clause 25.6 (*Procedure for assignment*)the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period): |

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| --- | --- | --- |
|  | (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 six Months, on the next of the dates which falls at intervals of six Months after the first day of that Interest Period); and |

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|  | (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: |

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|  | (i) | when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender; and |

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| --- | --- | --- |
|  | (ii) | the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 25.9, have been payable to it on that date, but after deduction of the Accrued Amounts. |

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|  | 25.9.2 | In this Clause 25.9 references to "Interest Period" shall be construed to include a reference to any other period for accrual of fees. |

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|  | 25.9.3 | An Existing Lender which retains the right to the Accrued Amounts pursuant to this Clause 25.9 but which does not have a Commitment shall be deemed not to be a Lender for the purposes of ascertaining whether 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. |

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| **26** | **Changes to the Obligors** |

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| 26.1 | **No assignment or transfer by Obligors** No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents, |

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| 26.2 | **Additional Guarantors** |

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|  | 26.2.1 | Subject to compliance with the provisions of Clauses 21.6.3 and 21.6.4 (*"Know your customer" checks*),the Borrowers may request that any member of the Group become a Guarantor. |

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|  | 26.2.2 | A member of the Group shall become an Additional Guarantor if: |

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|  | (a) | the Borrowers and the proposed Additional Guarantor deliver to the Agent a duly completed and executed Accession Deed; and |

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|  | (b) | the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*)and, if applicable, Part II of Schedule 2 (*Conditions Subsequent*)in relation to that Additional Guarantor, each in form and substance satisfactory to the Agent. |

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|  | 26.2.3 | The Agent shall notify the Borrowers 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, if applicable, Part II of Schedule 2 (*Conditions Subsequent*). |

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|  | 26.2.4 | 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 26.2.3, 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. |

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| 26.3 | **Resignation of a Guarantor** |

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|  | 26.3.1 | The Borrowers may request that a Guarantor ceases to be a Guarantor by delivering to the Agent a resignation letter if all the Lenders have consented to the resignation of that Guarantor. |

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|  | 26.3.2 | The Agent shall accept a resignation letter and notify the Borrowers and the Lenders of its acceptance if: |

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|  | (a) | the Borrowers have confirmed that no Default is continuing or would result from the acceptance of the resignation letter; and |

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|  | (b) | no payment is due from any Guarantor under Clause 19.1 (*Guarantee and Indemnity*). |

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| 26.4 | **Repetition of Representations** |

Delivery of an Accession Deed constitutes confirmation by the relevant member of the Group that the Repeating Representations are true and correct in relation to it as

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at the date of delivery as if made by reference to the facts and circumstances then existing.

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| **Section 10** | **The Finance Parties** |

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| **27** | **Role of the Agent, the Security Agent and the Arranger** |

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| --- | --- |
| 27.1 | **Appointment of the Agent** |

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|  | 27.1.1 | 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. |

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|  | 27.1.2 | 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. |

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|  | 27.1.3 | The Swap Provider appoints the Security Agent to act as its security agent for the purpose of the Security Documents and authorises the Security Agent to exercise the rights, powers, authorities and discretions specifically given to the Security Agent under or in connection with the Security Documents together with any other incidental rights, powers, authorities and discretions. |

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|  | 27.1.4 | Except in Clause 27.14 (*Replacement of the Agent*)or where the context otherwise requires, references in this Clause 27 to the "**Agent**"shall mean the Agent and the Security Agent individually and collectively and references in this Clause 27 to the "**Finance Documents**"or to any "**Finance Document**"shall not include the Master Agreement. |

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| 27.2 | **Instructions** |

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|  | 27.2.1 | The Agent shall: |

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|  | (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: |

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| --- | --- | --- |
|  | (i) | all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and |

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| --- | --- | --- |
|  | (ii) | in all other cases, the Majority Lenders; and |

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| --- | --- | --- |
|  | (b) | not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with Clause 27.2.1(a). |

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| --- | --- | --- |
|  | 27.2.2 | 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 |

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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.

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|  | 27.2.3 | 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. |

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|  | 27.2.4 | 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. |

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|  | 27.2.5 | 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. |

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|  | 27.2.6 | 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 27.2.6 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. |

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| 27.3 | **Duties of the Agent** |

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|  | 27.3.1 | The Agent's duties under the Finance Documents are solely mechanical and administrative in nature. |

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|  | 27.3.2 | Subject to Clause 27.3.3, 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. |

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| --- | --- | --- |
|  | 27.3.3 | Without prejudice to Clause 25.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrowers*),Clause 27.3.1 shall not apply to any Transfer Certificate or any Assignment Agreement. |

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| --- | --- | --- |
|  | 27.3.4 | 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. |

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|  | 27.3.5 | 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. |

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|  | 27.3.6 | 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 |

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Agent, the Arranger or the Security Agent) under this Agreement it shall promptly notify the other Finance Parties.

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|  | 27.3.7 | 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). |

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| 27.4 | **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. |

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| 27.5 | **No fiduciary duties** |

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|  | 27.5.1 | Subject to Clause 27.12 (*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. |

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|  | 27.5.2 | 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. |

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| 27.6 | **Business with Obligors and the Group** 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 Obligor or its Affiliate and any other member of the Group. |

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| 27.7 | **Rights and discretions of the Agent** |

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|  | 27.7.1 | 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: |

|  |  |  |
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|  | (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 |

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| --- | --- | --- |
|  | (ii) | unless it has received notice of revocation, that those instructions have not been revoked; and |

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| --- | --- | --- |
|  | (iii) | rely on a certificate from any person: |

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| --- | --- | --- |
|  | (A) | as to any matter of fact or circumstance which might 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, |

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as sufficient evidence that that is the case and, in the case of (A), may assume the truth and accuracy of that certificate.

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|  | 27.7.2 | 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 24.1 (*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 Utilisation Request) is made on behalf or and with the consent and knowledge of all the Obligors. |

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|  | 27.7.3 | The Agent may engage and pay for the advice or services of any lawyers, accountants, surveyors or other experts. |

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| --- | --- | --- |
|  | 27.7.4 | Without prejudice to the generality of Clause 27.7.3 or Clause 27.7.5, 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 opinion deems this to be desirable. |

|  |  |  |
| --- | --- | --- |
|  | 27.7.5 | 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. |

|  |  |  |
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|  | 27.7.6 | The Agent may act in relation to the Finance Documents through its officers, employees and agents and the Agent shall not: |

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| --- | --- | --- |
|  | (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.

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|  | 27.7.7 | Unless a Finance Document expressly provides otherwise the Agent may disclose to any other Party any information it believes it has received as agent under this Agreement. |

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| --- | --- | --- |
|  | 27.7.8 | Without prejudice to the generality of Clause 27.7.7, the Agent: |

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| --- | --- | --- |
|  | (a) | may disclose; and |

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|  |  |  |
| --- | --- | --- |
|  | (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.

|  |  |  |
| --- | --- | --- |
|  | 27.7.9 | 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 opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality. |

|  |  |  |
| --- | --- | --- |
|  | 27.7.10 | The Agent is not obliged to 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 (*Market Disruption*), |

|  |  |  |
| --- | --- | --- |
|  | 27.7.11 | 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. |

|  |  |
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| 27.8 | **Responsibility for documentation** Neither the Agent nor the Arranger is responsible or liable for: |

|  |  |  |
| --- | --- | --- |
|  | 27.8.1 | the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Arranger, an Obligor or any other person given in or in connection with any Relevant Document or the transactions contemplated in the Finance Documents; |

|  |  |  |
| --- | --- | --- |
|  | 27.8.2 | 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 |

|  |  |  |
| --- | --- | --- |
|  | 27.8.3 | 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. |

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| 27.9 | **No duty to monitor** The Agent shall not be bound to enquire: |

|  |  |  |
| --- | --- | --- |
|  | 27.9.1 | whether or not any Default has occurred; |

|  |  |  |
| --- | --- | --- |
|  | 27.9.2 | as to the performance, default or any breach by any Party of its obligations under any Finance Document; or |

|  |  |  |
| --- | --- | --- |
|  | 27.9.3 | whether any other event specified in any Finance Document has occurred. |

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| 27.10 | **Exclusion of liability** |

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| --- | --- | --- |
|  | 27.10.1 | Without limiting Clause 27.10.2 (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the |

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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 27.10.1(a), 27.10.1(b) and 27.10.1(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.

|  |  |  |
| --- | --- | --- |
|  | 27.10.2 | 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. |

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| --- | --- | --- |
|  | 27.10.3 | 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, |

|  |  |  |
| --- | --- | --- |
|  | 27.10.4 | 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 or for any Affiliate of 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.

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|  | 27.10.5 | 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. |

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| 27.11 | **Lenders' indemnity to the Agent** |

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|  | 27.11.1 | 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 31,11 (*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 |

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Documents (unless the relevant Agent, Receiver or Delegate has been reimbursed by an Obligor pursuant to a Finance Document).

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|  | 27.11.2 | Subject to Clause 27.11.3, the Borrowers shall immediately on demand reimburse any Lender for any payment that Lender makes to the Agent pursuant to Clause 27.11.1 |

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|  | 27.11.3 | Clause 27.11.2 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 an Obligor. |

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| 27.12 | **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 27.12, 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 27.12. 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: |

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|  | 27.12.1 | 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; |

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|  | 27.12.2 | 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; |

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|  | 27.12.3 | 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; |

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|  | 27.12.4 | 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 Obligor 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 Obligor may have to any asset; |

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|  | 27.12.5 | 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 |

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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 Obligor to retain all such title deeds, Finance Documents and other documents in its possession; and

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|  | 27.12.6 | save as otherwise provided in the Finance Documents, all moneys which under the trusts therein contained are received by the Security Agent may be 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 pending application of those moneys in accordance with Clause 28 (*Application of Proceeds*). |

The provisions of Part I of the Trustee Act 2000 shall not apply to the Security Agent or the Trust Property.

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| 27.13 | **Resignation of the Agent** |

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|  | 27.13.1 | 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. |

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|  | 27.13.2 | 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. |

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|  | 27.13.3 | If the Majority Lenders have not appointed a successor Agent in accordance with Clause 27.13.2 within 20 days after notice of resignation was given, the retiring Agent (after consultation with the Borrowers) may appoint a successor Agent. |

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|  | 27.13.4 | If the Agent wishes to resign because 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 27.13.3, the Agent may (if it concludes 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 27 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. |

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|  | 27.13.5 | 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. |

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|  | 27.13.6 | 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. |

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|  | 27.13.7 | 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 27.13.5) but shall remain entitled to the benefit of Clause 14.3 (*Indemnity to the Agent*)and this Clause 27 (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. |

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|  | 27.13.8 | The Agent shall resign in accordance with Clause 27.13.2 (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to Clause 27.13.3) 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: |

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|  | (a) | the Agent fails to respond to a request under Clause 12.8 (*FATCA information*)and a Borrower or 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; |

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|  | (b) | the information supplied by the Agent pursuant to Clause 12.8 (*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 |

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|  | (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 Borrower or 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.

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| 27.14 | **Replacement of the Agent** |

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|  | 27.14.1 | After consultation with the Borrowers, the Majority Lenders may, by giving 30 days' notice to the Agent replace the Agent by appointing a successor Agent. |

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|  | 27.14.2 | The retiring Agent shall (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. |

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|  | 27.14.3 | 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 27.14.2 but shall remain entitled to the benefit of Clause 14.3 (*Indemnity to the Agent*)and this Clause 27 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date). |

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|  | 27.14.4 | 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. |

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| 27.15 | **Confidentiality** |

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|  | 27.15.1 | 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. |

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|  | 27.15.2 | 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. |

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| 27.16 | **Relationship with the Lenders** |

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|  | 27.16.1 | Subject to Clause 25.9 (*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: |

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|  | (a) | entitled to or liable for any payment due under any Finance Document on that day; and |

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| --- | --- | --- |
|  | (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.

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|  | 27.16.2 | 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, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 33.5 (*Electronic communication*))electronic mail address and/or any other information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 33.2 (*Addresses*)and Clause 33.5 (*Electronic communication*)and the Agent shall be entitled to |

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treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

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| 27.17 | **Credit appraisal by the Lenders** Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any 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: |

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|  | 27.17.1 | the financial condition, status and nature of each Obligor and each other member of the Group; |

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|  | 27.17.2 | 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; |

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|  | 27.17.3 | 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 |

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|  | 27.17.4 | 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. |

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| 27.18 | **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. |

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| 27.19 | **Agent's management time** Any amount payable to the Agent under Clause 14.3 (*Indemnity to the Agent*),Clause 14.4 (*Indemnity to the Security Agent*),Clause 16 (*Costs and expenses*)and Clause 27.11 (*Lenders' indemnity to the Agent*)shall include the cost of utilising the Agent's management time or other resources and will be calculated on the basis of such daily or hourly rates as the Agent may notify to the Borrowers and the Lenders, and is in addition to any fee paid or payable to the Agent under Clause 11 (*Fees*). |

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| 27.20 | **Deduction from amounts payable by the Agent** If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted. |

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| **28** | **Application of Proceeds** |

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| 28.1 | **Order of application** Subject to Clause 28.2 (Prospective liabilities), all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Finance Document or in connection with the realisation or enforcement of all or any Encumbrance created or expressed to be created under the Security Documents (for the purposes of this Clause 28, the "**Recoveries**")shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this Clause 28), in the following order; |

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|  | 28.1.1 | in discharging any sums owing to the Security Agent, any Receiver or any Delegate; |

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|  | 28.1.2 | in payment of all costs and expenses incurred by the Agent or any Secured Party in connection with any realisation or enforcement of any Encumbrance created or expressed to be created under the Security Documents taken in accordance with the terms of this Agreement; and |

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|  | 28.1.3 | in payment to the Agent for application in accordance with Clause 31.5 (*Partial payments*), |

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| 28.2 | **Prospective liabilities** Following enforcement of any Encumbrance created or expressed to be created under the Security Documents the Security Agent may, in its discretion, hold any amount of the Recoveries in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) for later application under Clause 28.1 (*Order of application*)in respect of: |

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|  | 28.2.1 | any sum to the Security Agent, any Receiver or any Delegate; and |

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|  | 28.2.2 | any part of the Indebtedness, that the Security Agent considers, in each case, might become due or owing at any time in the future. |

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| 28.3 | **Investment of proceeds** Prior to the application of the proceeds of the Recoveries in accordance with Clause 28.1 (*Order of application*)the Security Agent may, in its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) pending the application from time to time of those moneys in the Security Agent's discretion in accordance with the provisions of this Clause 28. |

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| 28.4 | **Currency conversion** |

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|  | 28.4.1 | For the purpose of, or pending the discharge of, any part of the Indebtedness the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at a market rate of exchange. |

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|  | 28.4.2 | The obligations of any Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion. |

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| 28.5 | **Permitted deductions** The Security Agent shall be entitled, in its discretion: |

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|  | 28.5.1 | to set aside by way of reserve amounts required to meet, and to make and pay, any deductions and withholdings (on account of taxes or otherwise) which it Is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement; and |

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|  | 28.5.2 | to pay all Taxes which may be assessed against it in respect of any of the Trust. Property, or as a consequence of performing its duties, or by virtue of its capacity as Security Agent under any of the Finance Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement). |

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| 28.6 | **Good discharge** |

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|  | 28.6.1 | Any payment to be made in respect of the Indebtedness by the Security Agent may be made to the Agent on behalf of the Finance Parties and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Agent. |

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|  | 28.6.2 | The Security Agent is under no obligation to make the payments to the Agent under Clause 28.6.1 in the same currency as that in which the obligations and liabilities owing to the relevant Finance Party are denominated. |

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| **29** | **Conduct of Business by the Finance Parties** |

No provision of this Agreement will:

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| 29.1 | interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit; |

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| 29.2 | 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 |

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| 29.3 | oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax. |

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| **30** | **Sharing among the Finance Parties** |

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| 30.1 | **Payments to Finance Parties**  If a Finance Party (a "**Recovering Finance** **Party**")receives or recovers any amount from an Obligor other than in accordance with Clause 31 (*Payment Mechanics*)(*a* "**Recovered Amount**")and applies that amount to a payment due under the Finance Documents then: |

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|  | 30.1.1 | the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Agent; |

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|  | 30.1.2 | 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 |

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receipt or recovery been received or made by the Agent and distributed in accordance with Clause 31 (*Payment Mechanics*),without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

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|  | 30.1.3 | 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 31.5 (*Partial payments*). |

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| 30.2 | **Redistribution of payments** The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**")in accordance with Clause 31.5 (*Partial payments*)towards the obligations of that Obligor to the Sharing Finance Parties. |

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| 30.3 | **Recovering Finance Party's rights** On a distribution by the Agent under Clause 30.2 (*Redistribution of payments*)of a payment received by a Recovering Finance Party from an Obligor, as between the relevant Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor. |

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| 30.4 | **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: |

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|  | 30.4.1 | 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 |

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|  | 30.4.2 | as between the relevant Obligor and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor. |

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| 30.5 | **Exceptions** |

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|  | 30.5.1 | This Clause 30 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor. |

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|  | 30.5.2 | 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: |

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|  | (a) | it notified that other Finance Party of the legal or arbitration proceedings; and |

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|  | (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. |

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| **Section 11** | **Administration** |

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| **31** | **Payment Mechanics** |

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| **31**.**1** | **Payments to the Agent** On each date on which an Obligor or a Lender is required to make a payment under a Finance Document (other than the Master Agreement), that Obligor or that Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment. |

Payment shall be made to such account in the principal financial centre of the country of that currency specifies.

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| 31.2 | **Distributions by the Agent** Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 31.3 (*Distributions to an Obligor*)and Clause 31.4 (*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. |

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| 31.3 | **Distributions to an Obligor** The Agent may (with the consent of an Obligor or in accordance with Clause 32 (*Set-Off*))apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied. |

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| 31.4 | **Clawback and pre-funding** |

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|  | 31.4.1 | 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. |

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|  | 31.4.2 | Unless Clause 31.4.3 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. |

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|  | 31.4.3 | If the Agent 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: |

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|  | (a) | the Borrower to whom that sum was made available shall on demand refund it to the Agent; and |

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|  | (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. |

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| 31.5 | **Partial payments** |

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|  | 31.5.1 | If the Agent or the Security Agent (as applicable) receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents (other than the Master Agreement), the Agent or the Security Agent (as applicable) shall apply that payment towards the obligations of that Obligor under the Finance Documents (other than the Master Agreement) in the following order: |

|  |  |  |
| --- | --- | --- |
|  | (a) | in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent, the Security Agent, any Receiver or any Delegate under the Finance Documents; |

|  |  |  |
| --- | --- | --- |
|  | (b) | in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement; |

|  |  |  |
| --- | --- | --- |
|  | (c) | in or towards payment pro rata of any principal due but unpaid under this Agreement; and |

|  |  |  |
| --- | --- | --- |
|  | (d) | in or towards payment pro rata of any other sum due but unpaid under the Finance Documents. |

provided that any part of the Indebtedness arising out of the Master Agreement shall be satisfied on a pari passu basis with any repayment of the principal of the Loan.

|  |  |  |
| --- | --- | --- |
|  | 31.5.2 | The Agent shall, if so directed by the Majority Lenders and the Swap Provider, vary the order set out in Clauses 31.5.1(b) to 31.5.1(d). |

|  |  |  |
| --- | --- | --- |
|  | 31.5.3 | Clauses 31.5.1 and 31.5.2 will override any appropriation made by an Obligor. |

|  |  |
| --- | --- |
| 31.6 | **No set-off by Obligors** All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim. |

|  |  |
| --- | --- |
| 31.7 | **Business Days** Any payment under the Finance Documents 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). |

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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.

|  |  |
| --- | --- |
| 31.8 | **Currency of account** |

|  |  |  |
| --- | --- | --- |
|  | 31.8.1 | Subject to Clauses 31.8.2 to 31.8.5, dollars is the currency of account and payment for any sum due from an Obligor under any Finance Document. |

|  |  |  |
| --- | --- | --- |
|  | 31.8.2 | 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, pursuant to this Agreement, on its due date. |

|  |  |  |
| --- | --- | --- |
|  | 31.8.3 | Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated, pursuant to this Agreement, when that interest accrued. |

|  |  |  |
| --- | --- | --- |
|  | 31.8.4 | Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred. |

|  |  |  |
| --- | --- | --- |
|  | 31.8.5 | Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency. |

|  |  |
| --- | --- |
| 31.9 | **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 31.9 and those entries will, in the absence of manifest error, be conclusive and binding. |

|  |  |
| --- | --- |
| 31.10 | **Change of currency** |

|  |  |  |
| --- | --- | --- |
|  | 31.10.1 | 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. |

|  |  |  |
| --- | --- | --- |
|  | 31.10.2 | If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (after consultation with the Borrowers) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Market and otherwise to reflect the change in currency. |

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|  |  |
| --- | --- |
| 31.11 | **Disruption to payment systems etc**.If either the Agent determines that a Disruption Event has occurred or the Agent is notified by the Borrowers that a Disruption Event has occurred: |

|  |  |  |
| --- | --- | --- |
|  | 31.11.1 | 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; |

|  |  |  |
| --- | --- | --- |
|  | 31,11.2 | the Agent shall not be obliged to consult with the Borrowers in relation to any changes mentioned in Clause 31.11.1 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; |

|  |  |  |
| --- | --- | --- |
|  | 31.11.3 | the Agent may consult with the Finance Parties in relation to any changes mentioned in Clause 31.11.1 but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances; |

|  |  |  |
| --- | --- | --- |
|  | 31.11.4 | 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 37 (*Amendments and Waivers*); |

|  |  |  |
| --- | --- | --- |
|  | 31.11.5 | the Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability 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 31.11; and |

|  |  |  |
| --- | --- | --- |
|  | 31.11.6 | the Agent shall notify the Finance Parties of all changes agreed pursuant to Clause 31.11.4. |

|  |  |
| --- | --- |
| **32** | **Set-Off** |

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| --- | --- |
| 32.1 | **Set-off** A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. |

|  |  |
| --- | --- |
| 32.2 | **Master Agreement rights** The rights conferred on the Swap Provider by this Clause 32 shall be in addition to, and without prejudice to or limitation of, the rights of netting and set off conferred on the Swap Provider by the Master Agreement. |

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| --- | --- |
| **33** | **Notices** |

|  |  |
| --- | --- |
| 33.1 | **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. |

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|  |  |
| --- | --- |
| 33.2 | **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: |

|  |  |  |
| --- | --- | --- |
|  | 33.2.1 | in the case of each Borrower, that identified with its name below; |

|  |  |  |
| --- | --- | --- |
|  | 33.2.2 | in the case of each Original Guarantor, that identified with its name below; |

|  |  |  |
| --- | --- | --- |
|  | 33.2.3 | 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; |

|  |  |  |
| --- | --- | --- |
|  | 33.2.4 | in the case of the Swap Provider, that identified with its name below; and |

|  |  |  |
| --- | --- | --- |
|  | 33.2.5 | 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.

|  |  |
| --- | --- |
| 33.3 | **Delivery** Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective: |

|  |  |  |
| --- | --- | --- |
|  | 33.3.1 | if by way of fax, when received in legible form; or |

|  |  |  |
| --- | --- | --- |
|  | 33.3.2 | 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 33.2 (*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 an Obligor (save in respect of the Master Agreement) shall be sent through the Agent.

Any communication or document which becomes effective, in accordance with this Clause 33.3, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

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| --- | --- |
| 33.4 | **Notification of address and fax number** Promptly upon changing its address or fax number, the Agent shall notify the other Parties. |

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| --- | --- |
| 33.5 | **Electronic communication** |

|  |  |  |
| --- | --- | --- |
|  | 33.5.1 | Any communication to be made between any two Parties under or in connection with the Finance Documents may be made by electronic mail or |

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other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:

|  |  |  |
| --- | --- | --- |
|  | (a) | notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice. |

|  |  |  |
| --- | --- | --- |
|  | 33.5.2 | Any such electronic communication to be made between an Obligor and a Finance Party may only be made in that way to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication. |

|  |  |  |
| --- | --- | --- |
|  | 33.5.3 | Any such electronic communication made between any two Parties will be effective only when actually received (or made available) in readable form and in the case of any electronic communication made by a Party to the Agent or the Security Agent only if it is addressed in such a manner as the Agent or the Security Agent shall specify for this purpose. |

|  |  |  |
| --- | --- | --- |
|  | 33.5.4 | Any electronic communication which becomes effective, in accordance with Clause 33.5.3, after 5.00 p.m. in the place in which the Party to whom the relevant communication is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day. |

|  |  |  |
| --- | --- | --- |
|  | 33.5.5 | Any reference in a Finance Document to a communication being sent or received shall be construed to include that communication being made available In accordance with this Clause 33.5. |

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| --- | --- |
| 33.6 | **Use of websites** |

|  |  |  |
| --- | --- | --- |
|  | 33.6.1 | Each Borrower may satisfy its obligations under this Agreement to deliver any information in relation to those Lenders (the "**Website Lenders**")who accept this method of communication by posting this information onto an electronic website designated by the Borrowers and the Agent (the "**Designated Website**")if: |

|  |  |  |
| --- | --- | --- |
|  | (a) | the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method; |

|  |  |  |
| --- | --- | --- |
|  | (b) | both the Borrowers and the Agent are aware of the address of and any relevant password specifications for the Designated Website; and |

|  |  |  |
| --- | --- | --- |
|  | (c) | the information is in a format previously agreed between the Borrowers and the Agent. |

If any Lender (a "**Paper Form Lender**")does not agree to the delivery of information electronically then the Agent shall notify the Borrowers

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accordingly and each Borrower shall at its own cost supply the information to the Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event each Borrower shall at its own cost supply the Agent with at least one copy in paper form of any information required to be provided by it.

|  |  |  |
| --- | --- | --- |
|  | 33.6.2 | The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrowers and the Agent. |

|  |  |  |
| --- | --- | --- |
|  | 33.6.3 | Each Borrower shall promptly upon becoming aware of its occurrence notify the Agent If: |

|  |  |  |
| --- | --- | --- |
|  | (a) | the Designated Website cannot be accessed due to technical failure; |

|  |  |  |
| --- | --- | --- |
|  | (b) | the password specifications for the Designated Website change; |

|  |  |  |
| --- | --- | --- |
|  | (c) | any new information which is required to be provided under this Agreement is posted onto the Designated Website; |

|  |  |  |
| --- | --- | --- |
|  | (d) | any existing information which has been provided under this Agreement and posted onto the Designated Website Is amended; or |

|  |  |  |
| --- | --- | --- |
|  | (e) | that Borrower becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software. |

If a Borrower notifies the Agent under Clause 33.6.3(a) or Clause 33.6.3(e), all information to be provided by a Borrower under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

|  |  |  |
| --- | --- | --- |
|  | 33.6.4 | Any Website Lender may request, through the Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. Each Borrower shall at its own cost comply with any such request within ten Business Days. |

|  |  |
| --- | --- |
| 33.7 | **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: |

|  |  |  |
| --- | --- | --- |
|  | 33.7.1 | in English; or |

|  |  |  |
| --- | --- | --- |
|  | 33.7.2 | 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. |

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| **34** | **Calculations and Certificates** |

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| --- | --- |
| 34.1 | **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 31.9 (*Control account*)are *prima facie* evidence of the matters to which they relate. |

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| --- | --- |
| 34.2 | **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. |

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| --- | --- |
| 34.3 | **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 Market differs, in accordance with that market practice.

|  |  |
| --- | --- |
| **35** | **Partial Invalidity** |

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

|  |  |
| --- | --- |
| **36** | **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 each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

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| --- | --- |
| **37** | **Amendments and Waivers** |

|  |  |
| --- | --- |
| 37.1 | **Required consents** |

|  |  |  |
| --- | --- | --- |
|  | 37.1.1 | Subject to Clause 37.2 (*Exceptions*)any term of the Finance Documents (other than the Master Agreement) 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. |

|  |  |  |
| --- | --- | --- |
|  | 37.1.2 | The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 37. |

|  |  |  |
| --- | --- | --- |
|  | 37.1.3 | Without prejudice to the generality of Clauses 27.7.3, 27.7.4 and 27.7.5 (*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. |

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| --- | --- | --- |
|  | 37.1.4 | Clause 25.9.3 (*Pro rata Interest settlement*)shall apply to this Clause 37. |

|  |  |
| --- | --- |
| 37.2 | **Exceptions** |

|  |  |  |
| --- | --- | --- |
|  | 37.2.1 | Subject to Clause 37.3 (*Replacement of Screen Rate*),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) | a change to a Borrower or a change to a Guarantor other than in accordance with Clause 26 (*Changes to the Obligors*); |

|  |  |  |
| --- | --- | --- |
|  | (f) | any provision which expressly requires the consent of all the Lenders; |

|  |  |  |
| --- | --- | --- |
|  | (*g*) | Clause 2.2 (*Finance Parties' rights and obligations*),Clause 5.1 (*Delivery of a Utilisation Request*),Clause 7.1 (*Illegality*),Clause 7.5 (*Mandatory prepayment on sale or Total Loss*),Clause 25 (*Changes to the Lenders*),Clause 26 (*Changes to the Obligors*),this Clause 37, Clause 42 (*Governing Law*)or Clause 43.1 (*Jurisdiction of English courts*); |

|  |  |  |
| --- | --- | --- |
|  | (h) | (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 |

|  |  |  |
| --- | --- | --- |
|  | (i) | 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.

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|  |  |  |
| --- | --- | --- |
|  | 37.2.2 | 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. |

|  |  |
| --- | --- |
| 37.3 | **Replacement of Screen Rate** |

|  |  |  |
| --- | --- | --- |
|  | 37.3.1 | In this Clause 37.3: |

"**Relevant Nominating Body**"means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board.

"**Replacement Benchmark**"means a benchmark rate which is:

|  |  |  |
| --- | --- | --- |
|  | (a) | formally designated, nominated or recommended as the replacement for a Screen Rate by: |

|  |  |  |
| --- | --- | --- |
|  | (i) | the administrator of that Screen Rate (provided that the market or economic reality that such benchmark rate measures is the same as that measured by that Screen Rate); or |

|  |  |  |
| --- | --- | --- |
|  | (ii) | any Relevant Nominating Body, |

and if replacements have, at the relevant time, been formally designated, nominated or recommended under both (i) and (ii), the "Replacement Benchmark" will be the replacement under (ii);

|  |  |  |
| --- | --- | --- |
|  | (b) | in the opinion of the Majority Lenders and the Borrowers, generally accepted in the international or any relevant domestic syndicated loan markets as the appropriate successor to that Screen Rate; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | in the opinion of the Majority Lenders and the Borrowers, an appropriate successor to a Screen Rate. |

|  |  |  |
| --- | --- | --- |
|  | 37.3.2 | Subject to Clause 37.2.2 (*Exceptions*),any amendment or waiver which relates to: |

|  |  |  |
| --- | --- | --- |
|  | (a) | providing for the use of a Replacement Benchmark; and |

(b)

|  |  |  |
| --- | --- | --- |
|  | (i) | aligning any provision of any Finance Document to the use of that Replacement Benchmark; |

|  |  |  |
| --- | --- | --- |
|  | (ii) | enabling that Replacement Benchmark to be used for the calculation of Interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Benchmark to be used for the purposes of this Agreement); |

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|  |  |  |
| --- | --- | --- |
|  | (iii) | implementing market conventions applicable to that Replacement Benchmark; |

|  |  |  |
| --- | --- | --- |
|  | (iv) | providing for appropriate fallback (and market disruption) provisions for that Replacement Benchmark; or |

|  |  |  |
| --- | --- | --- |
|  | (v) | adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Benchmark (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on the basis of that designation, nomination or recommendation), |

may be made with the consent of the Agent (acting on the instructions of the Majority Lenders) and the Borrowers.

|  |  |
| --- | --- |
| 37.4 | **Excluded Commitments** |

If:

|  |  |  |
| --- | --- | --- |
|  | 37.4.1 | 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 five Business Days of that request being made; or |

|  |  |  |
| --- | --- | --- |
|  | 37.4.2 | any Lender which is not a Defaulting Lender fails to respond to such a request, |

(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. |

|  |  |
| --- | --- |
| 37.5 | **Replacement of Lender** |

37.5.1 If:

|  |  |  |
| --- | --- | --- |
|  | (a) | any Lender becomes a Non-Consenting Lender (as defined in Clause 37.5.4); or |

|  |  |  |
| --- | --- | --- |
|  | (b) | a Borrower or any other Obligor 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*), |

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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 25 (*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 selected by the Borrowers (a "**Replacement Lender**")**,** which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 25 (*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 25.9 (*Pro rata interest settlement*)),Break Costs and other amounts payable in relation thereto under the Finance Documents.

|  |  |  |
| --- | --- | --- |
|  | 37.5.2 | The replacement of a Lender pursuant to this Clause 37.5 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 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 37.5 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 37.5.1 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. |

|  |  |  |
| --- | --- | --- |
|  | 37.5.3 | A Lender shall perform the checks described in Clause 37.5.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 37.5.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks. |

|  |  |  |
| --- | --- | --- |
|  | 37.5.4 | 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 |

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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 51 per cent of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 51 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**".

|  |  |
| --- | --- |
| 37.6 | **Disenfranchisement of Defaulting Lenders** |

|  |  |  |
| --- | --- | --- |
|  | 37.6.1 | 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).

|  |  |  |
| --- | --- | --- |
|  | 37.6.2 | For the purposes of this Clause 37.6, 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 requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

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|  |  |
| --- | --- |
| 37.7 | **Replacement of a Defaulting Lende**r |

|  |  |  |
| --- | --- | --- |
|  | 37.7.1 | 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 25 (*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 selected by the Borrowers (a "**Replacement Lender**")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 25 (*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 25.9 (*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). |

|  |  |  |
| --- | --- | --- |
|  | 37.7.2 | Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause 37.7 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 15 days after the notice referred to in Clause 37.7.1; |

|  |  |  |
| --- | --- | --- |
|  | (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 37.7.1 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. |

|  |  |  |
| --- | --- | --- |
|  | 37.7.3 | The Defaulting Lender shall perform the checks described in Clause 37.7.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 37,7.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks. |

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| **38** | **Confidentiality** |

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| --- | --- |
| 38.1 | **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 38.2 (*Disclosure of Confidential Information*)and Clause 38.3 (*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. |

|  |  |
| --- | --- |
| 38.2 | **Disclosure of Confidential Information**  Any Finance Party may disclose: |

|  |  |  |
| --- | --- | --- |
|  | 38.2.1 | 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 38.2.1 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; |

|  |  |  |
| --- | --- | --- |
|  | 38.2.2 | 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 Obligors 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 38.2.2(a) or 38.2.2(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 27.16.2 (*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 38.2.2(a) or 38.2.2(b); |

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|  |  |  |
| --- | --- | --- |
|  | (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 25.8 (*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 38.2.2(a), 38.2.2(b) and 38.2.2(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 38.2.2(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 38.2.2(e), 38.2.2(f) and 38.2.2(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; |

|  |  |  |
| --- | --- | --- |
|  | 38.2.3 | to any person appointed by that Finance Party or by a person to whom Clause 38.2.2(a) or 38.2.2(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 |

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of the services referred to in this Clause 38.2.3 if the service provider to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking; and

|  |  |  |
| --- | --- | --- |
|  | 38.2.4 | 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 Obligors. |

|  |  |
| --- | --- |
| 38.3 | **Disclosure to numbering service providers** |

|  |  |  |
| --- | --- | --- |
|  | 38.3.1 | 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 Obligors the following information: |

|  |  |  |
| --- | --- | --- |
|  | (a) | names of Obligors; |

|  |  |  |
| --- | --- | --- |
|  | (b) | country of domicile of Obligors; |

|  |  |  |
| --- | --- | --- |
|  | (c) | place of incorporation of Obligors; |

|  |  |  |
| --- | --- | --- |
|  | (d) | date of this Agreement; |

|  |  |  |
| --- | --- | --- |
|  | (e) | Clause 42 (*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 Obligor, |

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

|  |  |  |
| --- | --- | --- |
|  | 38.3.2 | The Parties acknowledge and agree that each identification number assigned to this Agreement, the Loan and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider. |

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|  |  |  |
| --- | --- | --- |
|  | 38.3.3 | Each Borrower represents that none of the information set out in Clauses 38.3.1(a) to 38.3.1(n) is, nor will at any time be, unpublished price-sensitive information. |

|  |  |  |
| --- | --- | --- |
|  | 38.3.4 | 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 Obligors; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | the number or, as the case may be, numbers assigned to this Agreement, the Loan and/or one or more Obligors by such numbering service provider. |

|  |  |
| --- | --- |
| 38.4 | **Entire agreement** This Clause 38 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. |

|  |  |
| --- | --- |
| 38.5 | **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. |

|  |  |
| --- | --- |
| 38.6 | **Notification of disclosure** Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrowers: |

|  |  |  |
| --- | --- | --- |
|  | 38.6.1 | of the circumstances of any disclosure of Confidential Information made pursuant to Clause 38.2.2(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 |

|  |  |  |
| --- | --- | --- |
|  | 38.6.2 | upon becoming aware that Confidential Information has been disclosed in breach of this Clause 38. |

|  |  |
| --- | --- |
| 38.7 | **Continuing obligations** The obligations in this Clause 38 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of 12 months from the earlier of: |

|  |  |  |
| --- | --- | --- |
|  | 38.7.1 | the date on which all amounts payable by the Obligors under or in connection with the Finance Documents have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and |

|  |  |  |
| --- | --- | --- |
|  | 38.7.2 | the date on which such Finance Party otherwise ceases to be a Finance Party. |

|  |  |
| --- | --- |
| **39** | **Disclosure of Lender Details by Agent** |

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| --- | --- |
| 39.1 | **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 |

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frequently than once per calendar month) a list (which may be in electronic form) setting out the names of the Lenders as at that Business Day, 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, the electronic mail address and/or any other information required to enable the transmission of information by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.

|  |  |
| --- | --- |
| 39.2 | **Supply of Lender details at Borrowers' direction** |

|  |  |  |
| --- | --- | --- |
|  | 39.2.1 | 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) | Obligor. |

|  |  |  |
| --- | --- | --- |
|  | 39.2.2 | Subject to Clause 39.2.3, the Borrowers shall procure that the recipient of information disclosed pursuant to Clause 39.2.1 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. |

|  |  |  |
| --- | --- | --- |
|  | 39.2.3 | 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. |

|  |  |
| --- | --- |
| 39.3 | **Supply of Lender details to other Lenders** |

|  |  |  |
| --- | --- | --- |
|  | 39.3.1 | 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. |

|  |  |  |
| --- | --- | --- |
|  | 39.3.2 | The Agent shall, if so directed by the Requisite Lenders, request each Lender to indicate to it whether it is a Disclosing Lender. |

|  |  |
| --- | --- |
| 39.4 | **Lender enquiry** If any Lender believes that any entity is, or may be, a Lender and: |

|  |  |  |
| --- | --- | --- |
|  | 39.4.1 | that entity ceases to have an Investment Grade Rating; or |

|  |  |  |
| --- | --- | --- |
|  | 39.4.2 | an Insolvency Event occurs in relation to that entity, |

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the Agent shall, at the request of that Lender, indicate to that Lender the extent to which that entity has a Commitment.

|  |  |
| --- | --- |
| 39.5 | **Lender details definitions**  In this Clause 39: |

"**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).

|  |  |
| --- | --- |
| **40** | **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.

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| --- | --- |
| **41** | **Joint and Several Liability** |

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| --- | --- |
| 41.1 | **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: |

|  |  |  |
| --- | --- | --- |
|  | 41.1.1 | any forbearance (whether as to payment or otherwise) or any time or other Indulgence granted to any other Borrower or any other Obligor under or in connection with any Finance Document; |

|  |  |  |
| --- | --- | --- |
|  | 41.1.2 | any amendment, variation, novation or replacement of any other Finance Document; |

|  |  |  |
| --- | --- | --- |
|  | 41.1.3 | any failure of any Finance Document to be legal valid binding and enforceable in relation to any other Borrower or any other Obligor for any reason; |

|  |  |  |
| --- | --- | --- |
|  | 41.1.4 | the winding-up or dissolution of any other Borrower or any other Obligor; |

|  |  |  |
| --- | --- | --- |
|  | 41.1.5 | 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 Obligor; or |

|  |  |  |
| --- | --- | --- |
|  | 41.1.6 | any other act, omission, thing or circumstance which would or might, but for this provision, operate to discharge, impair or otherwise affect such liability. |

|  |  |
| --- | --- |
| 41.2 | **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 Obligor: |

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|  |  |  |
| --- | --- | --- |
|  | 41.2.1 | 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 |

|  |  |  |
| --- | --- | --- |
|  | 41.2.2 | exercise any right of contribution from any other Borrower or any other Obligor under any Finance Document; or |

|  |  |  |
| --- | --- | --- |
|  | 41.2.3 | exercise any right of set-off or counterclaim against any other Borrower or any other Obligor; or |

|  |  |  |
| --- | --- | --- |
|  | 41.2.4 | receive, claim or have the benefit of any payment, distribution, security or indemnity from any other Borrower or any other Obligor; or |

|  |  |  |
| --- | --- | --- |
|  | 41.2.5 | 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 Obligor 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.

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| **Section 12** | **Governing Law and Enforcement** |

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| **42** | **Governing Law** |

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

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| **43** | **Enforcement** |

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| --- | --- |
| 43.1 | **Jurisdiction of English courts** |

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| --- | --- | --- |
|  | 43.1.1 | 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. |

|  |  |  |
| --- | --- | --- |
|  | 43.1.2 | Notwithstanding Clause 43.1.1, 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. |

|  |  |
| --- | --- |
| 43.2 | **Service of process** |

|  |  |  |
| --- | --- | --- |
|  | 43.2.1 | Without prejudice to any other mode of service allowed under any relevant law, each Borrower and each Guarantor: |

|  |  |  |
| --- | --- | --- |
|  | (a) | irrevocably appoints Ince Process Agents Limited of Aldgate Tower, 2 Leman Street, London E18QN, England, as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and |

|  |  |  |
| --- | --- | --- |
|  | (b) | agrees that failure by a process agent to notify that Borrower or that Guarantor (as the case may be) of the process will not invalidate the proceedings concerned. |

|  |  |  |
| --- | --- | --- |
|  | 43.2.2 | 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.**

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**Schedule 1**

**The Parties**

**Part I**

**The Original Lenders**

|  |  |  |
| --- | --- | --- |
| **Name of Original Lender** | **Commitment** | **Treaty** **Passport scheme reference number and jurisdiction of residence** (**if applicable)** |
| Nordea Bank Abp, filial i Norge |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

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**Schedule 2**

**Part I**

**Initial Conditions Precedent**

|  |  |
| --- | --- |
| 1 | **Obligors** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Constitutional documents** Copies of the constitutional documents of each Obligor together with such other evidence as the Agent may require that each Obligor is duly incorporated in its country of Incorporation and remains in existence with power to enter into, and perform its obligations under, the Relevant Documents to which it is or is to become a party. |

|  |  |  |
| --- | --- | --- |
|  | (b) | **Certificates of good standing** A certificate of good standing in respect of each Obligor (if such a certificate can be obtained). |

|  |  |  |
| --- | --- | --- |
|  | (c) | **Board resolutions** A copy of a resolution of the board of directors of each Obligor (other than the Original Guarantor) and a copy of a resolution of the executive committee of the board of directors of the Original Guarantor: |

|  |  |  |
| --- | --- | --- |
|  | (i) | approving the terms of, and the transactions contemplated by, the Relevant Documents to which it is a party and resolving that it execute those Relevant Documents; and |

|  |  |  |
| --- | --- | --- |
|  | (ii) | authorising a specified person or persons to execute those Relevant Documents (and all documents and notices to be signed and/or dispatched under those documents) on its behalf. |

|  |  |  |
| --- | --- | --- |
|  | (d) | **Copy passports** A copy of the passport of each person actually executing any of the Relevant Documents pursuant to the resolutions referred to in (c). |

|  |  |  |
| --- | --- | --- |
|  | (e) | **Shareholder resolutions** A copy of a resolution signed by all the holders of the issued shares in each Obligor (other than the Original Guarantor), approving the terms of, and the transactions contemplated by, the Relevant Documents to which that Obligor is a party. |

|  |  |  |
| --- | --- | --- |
|  | (f) | **Officer's certificates** An original certificate of a duly authorised officer of each Obligor: |

|  |  |  |
| --- | --- | --- |
|  | (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 (a) the directors and officers of that Obligor and (b) the shareholders of that Obligor (other than the Original Guarantor) and the proportion of shares held by each shareholder; and |

|  |  |  |
| --- | --- | --- |
|  | (iii) | confirming that borrowing or guaranteeing or securing, as appropriate, the Loan would not cause any borrowing, guarantee, security or similar limit binding on that Obligor to be exceeded. |

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|  |  |  |
| --- | --- | --- |
|  | (g) | **Evidence of registration** Where such registration is required or permitted under the laws of the relevant jurisdiction, evidence that the names of the directors, officers and shareholders of each Obligor are duly registered in the companies registry or other registry in the country of incorporation of that Obligor. |

|  |  |  |
| --- | --- | --- |
|  | (h) | **Powers of attorney** The original notarially attested and legalised power of attorney of each of the Obligors under which the Relevant Documents to which it is or is to become a party are to be executed or transactions undertaken by that Obligor. |

|  |  |
| --- | --- |
| **2** | **Security and related documents** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Security Documents** The Guarantee, the Account Security Deeds, the Share Securities, the Deed of Subordination and any other Credit Support Documents, together with all other documents required by any of them, including, without limitation, (i) all notices of charge and evidence that those notices will be duly acknowledged by the recipients and (ii) (pursuant to the Share Securities) all share certificates, certified copy share registers or registers of members, transfer forms, proxy forms, letters of resignation and letters of undertaking. |

|  |  |  |
| --- | --- | --- |
|  | (b) | **Mandates** Such duly signed forms of mandate, and/or other evidence of the opening of the Earnings Accounts, as the Security Agent may require. |

|  |  |  |
| --- | --- | --- |
|  | (c) | **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. |

|  |  |  |
| --- | --- | --- |
|  | (d) | **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. |

|  |  |  |
| --- | --- | --- |
|  | (e) | **Master Agreement** The Master Agreement. |

|  |  |  |
| --- | --- | --- |
|  | (f) | **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, 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; |

|  |  |  |
| --- | --- | --- |
|  | (b) | a legal opinion of the following legal advisers to the Agent: |

|  |  |  |
| --- | --- | --- |
|  | (i) | Ince & Co as to Marshall Islands law; and |

|  |  |  |
| --- | --- | --- |
|  | (ii) | BAHR as to Norwegian law. |

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|  |  |
| --- | --- |
| **4** | **Other documents and evidence** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Process agent** Evidence that any process agent referred to in Clause 43.2 (*Service of process*)and any process agent appointed under any other Finance Document has accepted its appointment. |

|  |  |  |
| --- | --- | --- |
|  | (b) | **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. |

|  |  |  |
| --- | --- | --- |
|  | (c) | **Financial statements** A copy of each of the Original Financial Statements. |

|  |  |  |
| --- | --- | --- |
|  | (d) | **Fees** The Fee Letter 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 Utilisation Date. |

|  |  |  |
| --- | --- | --- |
|  | (e) | "**Know your customer**" **documents** Such documentation and other evidence as is 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. |

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**Part II**

**Utilisation Conditions Precedent**

|  |  |
| --- | --- |
| 1 | **Obligors** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Officer's certificate** If required, a certificate signed by a duly authorised officer of the relevant Borrower confirming that none of the documents and evidence delivered to the Agent pursuant to Part I of Schedule 2 has been amended, modified or revoked in any way since its delivery to the Agent. |

|  |  |  |
| --- | --- | --- |
|  | (b) | **Certificates of good standing** A certificate of good standing in respect of the relevant Borrower (if such a certificate can be obtained). |

|  |  |  |
| --- | --- | --- |
|  | (c) | **Shareholder resolutions** If required, a copy of a resolution signed by all the holders of the issued shares in each Borrower, approving the terms of, and the transactions contemplated by, the Relevant Documents to which that Obligor is a party. |

|  |  |  |
| --- | --- | --- |
|  | (d) | **Powers of attorney** If required, the original notarially attested and legalised power of attorney of each Borrower under which the Relevant Documents to which it is or is to become a party are to be executed or transactions undertaken by that Borrower. |

|  |  |
| --- | --- |
| 2 | **Security and related documents** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Vessel documents** Photocopies, certified as true, accurate and complete by a director or the secretary or the legal advisers of the Borrower, of: |

|  |  |  |
| --- | --- | --- |
|  | (i) | the MOA; |

|  |  |  |
| --- | --- | --- |
|  | (ii) | such documents as the Agent may require to evidence the nomination of the Borrower as purchaser of the Vessel pursuant to the MOA; |

|  |  |  |
| --- | --- | --- |
|  | (iii) | the bill of sale transferring title in the Vessel to the Borrower free of all encumbrances, maritime liens or other debts; |

|  |  |  |
| --- | --- | --- |
|  | (iv) | the protocol of delivery and acceptance evidencing the unconditional physical delivery of the Vessel by the Seller to the Borrower pursuant to the MOA; |

|  |  |  |
| --- | --- | --- |
|  | (v) | any charterparty or other contract of employment of the Vessel which will be in force on the Utilisation Date; |

|  |  |  |
| --- | --- | --- |
|  | (vi) | the confirmation (by email from the master of the Vessel) for the delivery of the Vessel pursuant to the Charter (if the Charter is a time charter) or the protocol of delivery and acceptance evidencing the unconditional physical delivery of the Vessel by the Borrower to the Charterer pursuant to the Charter (if the Charter is a bareboat charter); |

|  |  |  |
| --- | --- | --- |
|  | (vii) | the Management Agreements; |

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|  |  |  |
| --- | --- | --- |
|  | (viii) | the Vessel's current Safety Construction, Safety Equipment, Safety Radio and Load Line Certificates; |

|  |  |  |
| --- | --- | --- |
|  | (ix) | evidence of the Vessel's current Certificate of Financial Responsibility issued pursuant to the United States Oil Pollution Act 1990; |

|  |  |  |
| --- | --- | --- |
|  | (x) | the Vessel's current SMC; |

|  |  |  |
| --- | --- | --- |
|  | (xi) | the ISM Company's current DOC; |

|  |  |  |
| --- | --- | --- |
|  | (xii) | the Vessel's current ISSC; |

|  |  |  |
| --- | --- | --- |
|  | (xiii) | the Vessel's current IAPPC; |

|  |  |  |
| --- | --- | --- |
|  | (xiv) | the Vessel's current Tonnage Certificate; |

in each case together with all addenda, amendments or supplements.

|  |  |  |
| --- | --- | --- |
|  | (b) | **Evidence of Seller's title** 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. |

|  |  |  |
| --- | --- | --- |
|  | (c) | **Evidence of Borrower's title** Evidence that on the Utilisation Date (i) the Vessel will be at least provisionally registered under the relevant flag in the ownership of the Borrower and (ii) the Mortgage and, in respect of Utilisation C and Utilisation D, the relevant Mortgage Addenda will be capable of being registered against the relevant Vessels 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 Class Certificate for hull and machinery confirming that the Vessel is classed with the highest class applicable to vessels of her type with Lloyd's Register or such other classification society as may be acceptable to the Agent free of overdue recommendations affecting class. |

|  |  |  |
| --- | --- | --- |
|  | (f) | **Valuation** (i) In respect of each of Utilisation A and Utilisation B, not earlier than thirty days prior to each Utilisation Date, two valuations of the Vessel (at the cost of the relevant Borrower), (ii) in respect of Utilisation C, not earlier than thirty days prior to the Utilisation Date, two valuations in respect of Vessel C (at the cost of the relevant Borrower) and (iii) in respect of Utilisation D, not earlier than thirty days prior to the Utilisation Date, two valuations in respect of Vessel D (at the cost of the relevant Borrower), in each case addressed to the Agent from an Approved Shipbroker selected by the Borrowers and acceptable to the Agent, certifying the Market Value for the respective Vessel, acceptable to the Agent. |

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|  |  |  |
| --- | --- | --- |
|  | (g) | **Security Documents** The Mortgage, each relevant Mortgage Addendum (in respect of Utilisation C and Utilisation D) and the Assignments in respect of the Vessel and any other Credit Support Documents (if applicable), together with all other documents required by any of them, including, without limitation, all notices of assignment and/or charge and evidence that those notices will be duly acknowledged by the recipients. |

|  |  |  |
| --- | --- | --- |
|  | (h) | **Managers' Undertakings**  The Managers' Undertakings together with notices of any assignments contained in the same and evidence that those notices will be duly acknowledged by the recipients. |

|  |  |  |
| --- | --- | --- |
|  | (i) | **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. |

|  |  |  |
| --- | --- | --- |
|  | (j) | **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, 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 Ince & Co as to Marshall Islands law, if required by the Agent. |

|  |  |
| --- | --- |
| **4** | **Other documents and evidence** |

|  |  |  |
| --- | --- | --- |
|  | (a) | **Utilisation Request** A duly completed Utilisation Request. |

|  |  |  |
| --- | --- | --- |
|  | (b) | **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. |

|  |  |  |
| --- | --- | --- |
|  | (c) | **Green passport** Evidence acceptable to the Agent in its discretion that the relevant Borrower (other than Borrower D) has obtained a green passport notification in respect of its Vessel (other than Vessel D) in accordance with Clause 23.30.2 (*Green scrapping*). |

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**Part III**

**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 relevant flag confirming that (a) the Vessel is permanently registered under that flag in the ownership of the Borrower, (b) the Mortgage and, in respect of Utilisation C and Utilisation D, each relevant Mortgage Addendum 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 | **Companies Act registrations** If applicable, evidence that the prescribed particulars of any Security Documents received by the Agent pursuant to Part I of this Schedule 2 have been delivered to the relevant Registry of Companies/Corporations within the statutory time limit. |

|  |  |
| --- | --- |
| 7 | **Master's receipt** The master's receipt for the Mortgage. |

|  |  |
| --- | --- |
| 8 | **Green passport** Evidence acceptable to the Agent in its discretion that Borrower D has obtained a green passport notification in respect of Vessel D in accordance with Clause 23.30.2 (*Green scrapping*). |

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**Schedule 3**

**Utilisation Request**

|  |  |
| --- | --- |
| From: | **Taburao Shipping Company Inc**. |
|  | **Tarawa Shipping Company Inc**. |
|  | **Rongelap Shipping Company Inc**. |
|  | **Toka Shipping Company Inc**. |
|  |  |
| To: | **Nordea Bank Abp, filial i Norge** |
|  |  |
| Dated: |  |
|  |  |
| Dear Sirs |  |
|  |  |

**Taburao Shipping Company Inc**.**, Tarawa Shipping Company Inc**.**, Rongelap Shipping Company Inc**. **and Toka Shipping Company Inc**. **- $59,000,000 Loan Agreement dated 24 July 2019** (**the** "**Agreement**")

|  |  |
| --- | --- |
| 1 | We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request. |

|  |  |
| --- | --- |
| 2 | We wish to make a Utilisation on the following terms: |

|  |  |  |
| --- | --- | --- |
|  | Proposed Utilisation Date: | [                 ] 2019 (or, if that is not a Business Day, the next Business Day) |
|  | Currency of Utilisation: | dollars |
|  | Amount: | [                 ] |
|  | Interest Period: | [                 ] |
|  | Vessel: | [                 ] |

|  |  |
| --- | --- |
| 3 | We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*)is satisfied on the date of this Utilisation Request. |

|  |  |
| --- | --- |
| 4 | The proceeds of the Utilisation should be paid in accordance with the provisions of the MOA in respect of the above Vessel towards payment of the purchase price of the above Vessel. |

|  |  |
| --- | --- |
| 5 | This Utilisation Request is irrevocable. |

Yours faithfully

---------------------------------

authorised signatory for

**Taburao Shipping Company Inc**.**Tarawa Shipping Company Inc**.**Rongelap Shipping Company Inc**.**Toka Shipping Company Inc**.

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**Schedule 4**

**Form of Transfer Certificate**

|  |  |
| --- | --- |
| To: | **Nordea Bank Abp, filial i Norge,** as Agent |
| From: | [*The Existing Lender*](the "**Existing Lender**")and [The *New Lender*](the "**New Lender**") |
| Dated: |  |

**Taburao Shipping Company Inc**.**, Tarawa Shipping Company Inc**. **and Rongelap Shipping Company Inc**. **- $59,000,000 Loan Agreement dated 24 July 2019** (**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 25.5 (*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 25.5 (*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 33.2 (*Addresses*)of the Loan Agreement are set out in the Schedule. |

|  |  |
| --- | --- |
| 3 | The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 25.4.1(c) (*Limitation of responsibility of Existing Lenders*)of the Loan Agreement. |

|  |  |
| --- | --- |
| 4 | The New Lender confirms, for the benefit of the Agent and without liability to any Obligor, that it is: |

|  |  |  |
| --- | --- | --- |
|  | (a) | [a Qualifying Lender other than a Treaty Lender;] |

|  |  |  |
| --- | --- | --- |
|  | (b) | [a Treaty Lender;] |

|  |  |  |
| --- | --- | --- |
|  | (c) | [not a Qualifying Lender]. |

|  |  |
| --- | --- |
| [5] | [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either: |

|  |  |  |
| --- | --- | --- |
|  | (a) | a company resident in the United Kingdom for United Kingdom tax purposes; |

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|  |  |  |
| --- | --- | --- |
|  | (b) | a partnership each member of which is: |

|  |  |  |
| --- | --- | --- |
|  | (i) | a company so resident in the United Kingdom; or |

|  |  |  |
| --- | --- | --- |
|  | (ii) | a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CIA; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.] |

|  |  |
| --- | --- |
| [5] | [The New Lender confirms that it holds a passport under the HMRC DT Treaty Passport scheme (reference number [             ]) and is tax resident in ], so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax, and requests that the Agent notify the Borrowers that it wishes that scheme to apply to the Agreement.] |

|  |  |
| --- | --- |
| [5/6] | 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. |

|  |  |
| --- | --- |
| [7/8] | This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law. |

|  |  |
| --- | --- |
| [8/9] | 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.** |

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**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 [               ].

**Nordea Bank Abp, filial i Norge**

By:

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**Schedule 5**

**Form of Assignment Agreement**

|  |  |
| --- | --- |
| To: | **Nordea Bank Abp, filial i Norge,** as Agent and **Taburao Shipping Company Inc**.**, Tarawa Shipping Company Inc**.**, Rongelap Shipping Company Inc**. **and Toka Shipping Company Inc**.**,** as Borrowers, for and on behalf of each Obligor |
| From: | [the *Existing Lender]* (the "**Existing Lender**")and [the *New Lender]* (the "**New Lender**") |
| Dated: |  |

**Taburao Shipping Company Inc**.**, Tarawa Shipping Company Inc**.**, Rongelap Shipping Company Inc**. **and Toka Shipping Company Inc**. **- $59,000,000 Loan Agreement dated 24 July 2019** (**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 25.6 (*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 [                  ]. |

|  |  |  |
| --- | --- | --- |
|  | (a) | On the Transfer Date the New Lender becomes Party to the relevant Finance Documents as a Lender. |

|  |  |
| --- | --- |
| 4 | The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 33.2 (*Addresses*)of the Loan Agreement are set out in the Schedule. |

|  |  |
| --- | --- |
| 5 | The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 25.4.3 (*Limitation of responsibility of Existing Lenders*)of the Loan Agreement. |

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|  |  |
| --- | --- |
| 6 | The New Lender confirms, for the benefit of the Agent and without liability to any Obligor, that it is: |

|  |  |  |
| --- | --- | --- |
|  | (a) | [a Qualifying Lender (other than a Treaty Lender);] |

|  |  |  |
| --- | --- | --- |
|  | (b) | [a Treaty Lender;] |

|  |  |  |
| --- | --- | --- |
|  | (c) | [not a Qualifying Lender]. |

|  |  |
| --- | --- |
| 7 | [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either: |

|  |  |  |
| --- | --- | --- |
|  | (a) | a company resident in the United Kingdom for United Kingdom tax purposes; |

|  |  |  |
| --- | --- | --- |
|  | (b) | a partnership each member of which is: |

|  |  |  |
| --- | --- | --- |
|  | (i) | a company so resident in the United Kingdom; or |

|  |  |  |
| --- | --- | --- |
|  | (ii) | a company not so resident In the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or |

|  |  |  |
| --- | --- | --- |
|  | (c) | a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.] |

|  |  |
| --- | --- |
| 8 | [The New Lender confirms that it holds a passport under the HMRC DT Treaty Passport scheme (reference number [ ]) and is tax resident in [ ], so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and hereby notifies the Borrowers that it wishes that scheme to apply to the Loan Agreement.] |

|  |  |
| --- | --- |
| [9/10] | This Agreement acts as notice to the Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 25.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrowers*),to the Borrowers (on behalf of each Obligor) of the assignment referred to in this Agreement. |

|  |  |
| --- | --- |
| [10/11] | 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. |

|  |  |
| --- | --- |
| [11/12] | This Agreement [and any non-contractual obligations arising out of or in connection with it] [is/are] governed by English law. |

|  |  |
| --- | --- |
| [12/13] | This Agreement has been entered into on the date stated at the beginning of this Agreement. |

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|  |  |
| --- | --- |
| **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.** |

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**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.

**Nordea Bank Abp, filial i Norge**

By:

Page 145

**Schedule 6**

**Form of Accession Deed**

|  |  |
| --- | --- |
| To: | **Nordea Bank Abp, filial i Norge,** as Agent as Security Agent for itself and each of the other Finance Parties |
| From: | [*Affiliate of a Borrower*][*Member of the Group*]and [*Borrowers*] |
| Dated: |  |
| Dear Sirs |  |

**Taburao Shipping Company Inc**.**, Tarawa Shipping Company Inc**.**, Rongelap Shipping Company Inc**. **and Toka Shipping Company Inc**. **- $59,000,000 Loan Agreement dated 24 July 2019** (**the** "**Agreement**")

|  |  |
| --- | --- |
| 1 | We refer to the Agreement. This deed (the **''Accession Deed**")shall take effect as an 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 | [*Affiliate of a Borrower*][*Member of the Group*]agrees to become an Additional Guarantor and to be bound by the terms of the Agreement and the other Finance Documents as an Additional Guarantor pursuant to Clause 26.2 (*Additional Guarantors*)*]* of the Agreement. [*Affiliate of a Borrower*] [*Member of the Group*]is a company duly incorporated under the laws of [*name of relevant jurisdiction*]and is a limited liability company and registered number [                ]. |

|  |  |
| --- | --- |
| 3 | *[Affiliate of a Borrower's*][*Member of the Group'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 signed on behalf of the Borrowers and executed as a deed by [*Affiliate of a Borrower*] [*Member of the Group*]and is delivered on the date stated above.

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**[Affiliate of a Borrower][Member of the Group]**

|  |  |
| --- | --- |
| **[Executed as a Deed** | ) |
| By: **[Affiliate of a Borrower]** | ) |
| **[Member of the Group]** | ) |
|  |  |
|  | Director |
|  |  |
|  |  |
|  | Director/Secretary] |
|  |  |
|  |  |
|  |  |
| **or** |  |
|  |  |
|  |  |
| **[Executed as a Deed** |  |
|  |  |
| By: **[Affiliate of a Borrower] [Member of the Group]** |  |
|  |  |
|  |  |
|  | Signature of Director |
|  |  |
|  | Name of Director |
| in the presence of |  |
|  | Signature of Witness |
|  |  |
|  | Name of Witness |
|  |  |
|  | Address of Witness |
|  |  |
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|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  | Occupation of Witness] |
|  |  |
|  |  |
|  |  |
| **The [Borrowers** |  |
|  |  |
|  | [*Borrowers*] |
|  |  |
|  |  |
| By: |  |

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**Schedule 7**

**Form of Compliance Certificate**

|  |  |
| --- | --- |
| To: | **Nordea Bank Abp, filial i Norge** |
| From: | **Performance Shipping Inc**. |
| Dated: |  |
| Dear Sirs |  |

**Taburao Shipping Company Inc**.**, Tarawa Shipping Company Inc**.**, Rongelap Shipping Company Inc**. **and Toka Shipping Company Inc**. **— $59,000,000 Loan Agreement dated 24 July 2019** (**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 | the Cash is: [                             ] |

the Cash Equivalents are: [                             ]

the Total Debt is: [                             ]

the Working Capital is: [                             ]

the Value Adjusted Equity Ratio is: [                             ]%

|  |  |  |
| --- | --- | --- |
|  | 2.2 | therefore, |

|  |  |  |
| --- | --- | --- |
|  | 2.2.1 | the Cash and Cash Equivalents are not less than: |

|  |  |  |
| --- | --- | --- |
|  | (a) | (i) $8,000,000 at all times during the Facility Period plus (ii) $1,000,000 per tanker Fleet Vessel if any (other than the Vessels); and |

|  |  |  |
| --- | --- | --- |
|  | (b) | 7.5% of the Total Debt. |

|  |  |  |
| --- | --- | --- |
|  | 2.2.2 | the Working Capital is greater than zero dollars; and |

|  |  |  |
| --- | --- | --- |
|  | 2.2.3 | the Value Adjusted Equity Ratio is equal to, or higher than, 35%, |

|  |  |
| --- | --- |
| 3 | We confirm that no Event of Default is continuing. |

|  |  |  |
| --- | --- | --- |
| Signed: |  |  |
|  | Chief Financial Officer  of  **Performance Shipping Inc**. |  |

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**Signatures**

**The Borrowers**

|  |  |
| --- | --- |
| **Taburao Shipping Company Inc**. | ) |
|  | ) |
| By: | ) |
| c/o Unitized Ocean Transport Limited | ) |
| Pendelis 18, 17564 Palaio Faliro | ) |
| Athens, Greece | ) |
| Fax no.: +30 216 6002599 | ) |
| Officer: Mr Andreas Michalopoulos | ) |
|  |  |
|  |  |
|  |  |
| **Tarawa Shipping Company Inc**. | ) |
|  | ) |
| By: | ) |
| c/o Unitized Ocean Transport Limited | ) |
| Pendelis 18, 17564 Palaio Faliro | ) |
| Athens, Greece | ) |
| Fax no.: +30 216 6002599 | ) |
| Officer: Mr Andreas Michalopoulos | ) |
|  |  |
|  |  |
|  |  |
| **Rongelap Shipping Company Inc**. | ) |
|  | ) |
| By: | ) |
| c/o Unitized Ocean Transport Limited | ) |
| Pendelis 18, 17564 Palaio Faliro | ) |
| Athens, Greece | ) |
| Fax no.: +30 216 6002599 | ) |
| Officer: Mr Andreas Michalopoulos | ) |
|  |  |
|  |  |
|  |  |
| **Toka Shipping Company Inc**. | ) |
|  | ) |
| By: | ) |
| c/o Unitized Ocean Transport Limited | ) |
| Pendelis 18, 17564 Palaio Faliro | ) |
| Athens, Greece | ) |
| Fax no.: +30 216 6002599 | ) |
| Officer: Mr Andreas Michalopoulos | ) |
|  |  |

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|  |  |
| --- | --- |
| **The Original Guarantor** |  |
|  |  |
| **Performance Shipping Inc**. | ) |
|  | ) |
| By: | ) |
| c/o Unitized Ocean Transport Limited | ) |
| Pendelis 18, 17564 Palaio Faliro | ) |
| Athens, Greece | ) |
| Fax no.: +30 216 6002599 | ) |
| Officer: Mr Andreas Michalopoulos | ) |
|  |  |
|  |  |
| **The Arranger** |  |
|  |  |
| **Nordea Bank Abp, filial i Norge** | ) |
|  | ) |
| By: | ) |
| Essendrops gate 7 | ) |
| N-0368 Oslo | ) |
| Norway | ) |
| Fax no.: +47 22 48 66 68 | ) |
| Officers: Mr Magnus Lovstad | ) |
| and Mr Sondre Falch | ) |
|  |  |
|  |  |
| **The Agent** |  |
|  |  |
| **Nordea Bank Abp, filial i Norge** | ) |
|  | ) |
| By: | ) |
| Essendrops gate 7 | ) |
| N-0368 Oslo | ) |
| Norway | ) |
| Fax no.: +47 22 48 66 68 | ) |
| Officers: Mr Magnus Lovstad | ) |
| and Mr Sondre Falch | ) |
|  |  |
|  |  |
| **The Security Agent** |  |
|  |  |
| **Nordea Bank Abp, filial i Norge** | ) |
|  | ) |
| By: | ) |
| Essendrops gate 7 | ) |
| N-0368 Oslo | ) |
| Norway | ) |
| Fax no.: +47 22 48 66 68 | ) |
| Officers: Mr Magnus Lovstad | ) |
| and Mr Sondre Falch | ) |

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|  |  |
| --- | --- |
| **The Original Lenders** |  |
|  |  |
| **Nordea Bank Abp, filial i Norge** | ) |
|  | ) |
| By: | ) |
| Essendrops gate 7 | ) |
| N-0368 Oslo | ) |
| Norway | ) |
| Fax no.: +47 22 48 66 68 | ) |
| Officers: Mr Magnus Loystad | ) |
| and Mr Sondre Falch | ) |
|  |  |
|  |  |
| **The Swap Provider** |  |
|  |  |
| **Nordea Bank Abp** | ) |
| (Business Identity code 2858394-9) | ) |
|  | ) |
| By: | ) |
| c/o Nordea Danmark, | ) |
| Filial of Nordea Bank Abp, Finland | ) |
| 7288 Derivative Services | ) |
| PO Box 850 | ) |
| DK-0900 Copenhagen K, Denmark | ) |
| Fax no.: | ) |
| Officer: | ) |

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**In witness** of which the parties to this Amendment and Restatement Agreement have executed this Amendment and Restatement Agreement as a deed the day and year first before written.

|  |  |
| --- | --- |
|  |  |
|  |  |
| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Taburao Shipping Company Inc.** | ) |
| (as borrower) | ) |
| acting by Andreas Nikolaos Michalopoulos | )  /s/ Andreas Nikolaos Michalopoulos |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
|  |  |
| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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|  |  |
| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Tarawa Shipping Company Inc.** | ) |
| (as borrower) | ) |
| acting by Andreas Nikolaos Michalopoulos | )  /s/ Andreas Nikolaos Michalopoulos |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
|  |  |
| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Rongelap Shipping Company Inc.** | ) |
| (as borrower) | ) |
| acting by Andreas Nikolaos Michalopoulos | )  /s/ Andreas Nikolaos Michalopoulos |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
|  |  |
| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Toka Shipping Company Inc.** | ) |
| (as borrower) | ) |
| acting by Andreas Nikolaos Michalopoulos | )  /s/ Andreas Nikolaos Michalopoulos |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
|  |  |
| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Performance Shipping Inc.** | ) |
| (as guarantor) | ) |
| acting by Andreas Nikolaos Michalopoulos | )  /s/ Andreas Nikolaos Michalopoulos |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
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| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Nordea Bank Abp, filial i Norge** | ) |
| (as a Lender) | ) |
| acting by Konstantinos Karachalios | )  /s/ Konstantinos Karachalios |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
|  |  |
| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Nordea Bank Abp, filial i Norge** | ) |
| (as Arranger) | ) |
| acting by Konstantinos Karachalios | )  /s/ Konstantinos Karachalios |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
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| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Nordea Bank Abp, filial i Norge** | ) |
| (as Agent) | ) |
| acting by Konstantinos Karachalios | )  /s/ Konstantinos Karachalios |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
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| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Nordea Bank Abp** | ) |
| (as Swap Provider) | ) |
| acting by Konstantinos Karachalios | )  /s/ Konstantinos Karachalios |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
|  |  |
| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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| **Signed and delivered as** | ) |
| **a Deed** by | ) |
| **Nordea Bank Abp, filial i Norge** | ) |
| (as Security Agent) | ) |
| acting by Konstantinos Karachalios | )  /s/ Konstantinos Karachalios |
| its duly authorised attorney-in-fact | ) |
| in the presence of: | ) |
|  |  |
|  |  |
| Witness signature: /s/ Aikaterini Oikonomea |  |
| Name: Aikaterini Oikonomea |  |
| Address: 373 Synyrou Ave. 17564 Palaio Falino Athens Greece |  |
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**Exhibit 8.1**

**List of Subsidiaries as at December 31, 2019**

|  |  |  |
| --- | --- | --- |
| **Name of Subsidiary** |  | **Place of Incorporation** |
|  |  |  |
| Likiep Shipping Company Inc. |  | Marshall Islands |
|  |  |  |
| Orangina Inc. |  | Marshall Islands |
|  |  |  |
| Rongerik Shipping Company Inc. |  | Marshall Islands |
|  |  |  |
| Utirik 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 |
|  |  |  |
| Meck Shipping Company Inc. |  | Marshall Islands |
|  |  |  |
| Langor Shipping Company Inc. |  | Marshall Islands |
|  |  |  |
| Taburao Shipping Company Inc. |  | Marshall Islands |
|  |  |  |
| Tarawa Shipping Company Inc. |  | Marshall Islands |
|  |  |  |
| Rongelap Shipping Company Inc. |  | Marshall Islands |

**Exhibit 12.1**

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**

I, Andreas Michalopoulos, certify that:

|  |  |
| --- | --- |
| 1. | I have reviewed this annual report on Form 20-F of Performance Shipping Inc. (the “Company”); |

|  |  |
| --- | --- |
| 2. | Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; |

|  |  |
| --- | --- |
| 3. | Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report; |

|  |  |
| --- | --- |
| 4. | The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have: |

|  |  |
| --- | --- |
| (a) | Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; |

|  |  |
| --- | --- |
| (b) | Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; |

|  |  |
| --- | --- |
| (c) | Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and |

|  |  |
| --- | --- |
| (d) | Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and |

|  |  |
| --- | --- |
| 5. | The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions): |

|  |  |
| --- | --- |
| (a) | All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and |

|  |  |
| --- | --- |
| (b) | Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting. |

Date: April 10, 2020

/s/ Andreas Michalopoulos

Andreas Michalopoulos

Deputy 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 Performance Shipping Inc. (the “Company”); |

|  |  |
| --- | --- |
| 2. | Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; |

|  |  |
| --- | --- |
| 3. | Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report; |

|  |  |
| --- | --- |
| 4. | The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have: |

|  |  |
| --- | --- |
| (a) | Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; |

|  |  |
| --- | --- |
| (b) | Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; |

|  |  |
| --- | --- |
| (c) | Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and |

|  |  |
| --- | --- |
| (d) | Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and |

|  |  |
| --- | --- |
| 5. | The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions): |

|  |  |
| --- | --- |
| (a) | All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and |

|  |  |
| --- | --- |
| (b) | Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting. |

Date: April 10, 2020

/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 Performance Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Andreas Michalopoulos, Deputy Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

     (1)  The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

     (2)  The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 10, 2020

/s/Andreas Michalopoulos

Andreas Michalopoulos

Deputy 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 Performance Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Andreas Michalopoulos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

     (1)  The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

     (2)  The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 10, 2020

/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 Performance Shipping Inc. and in the related Prospectus of our report dated April 10, 2020, with respect to the consolidated financial statements of Performance Shipping Inc. included in this Annual Report (Form 20-F) for the year ended December 31, 2019.

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

Athens, Greece

April 10, 2020