UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from _____ to _____

OR

o **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: 001-36231

SCORPIO BULKERS INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

9, Boulevard Charles III Monaco 98000

(Address of principal executive offices)

Mr. Emanuele Lauro
377-9798-5715
info@scorpiobulkers.com
9, Boulevard Charles III Monaco 98000

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

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

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	**New York Stock Exchange**
7.50% Senior Notes due 2019	**New York Stock Exchange**

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

NONE

(Title of class)

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

NONE

(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, 2017, there were 74,902,364 outstanding shares of common stock, par value $0.01 per share.

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

Yes _____ No x

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 x

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 x No _____

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

Yes x No _____

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

Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

x 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 x

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Scorpio Bulkers Inc. 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 therewith. 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. 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 statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. This document includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. When used in this document, the words "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "projects," "likely," "will," "would," "could" and similar expressions or phrases may identify forward-looking statements.

All statements in this document that are not statements of historical fact are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

- our future operating or financial results;
- statements about planned, pending or recent acquisitions, business strategy and expected capital spending or operating expenses, including drydocking, surveys, upgrades and insurance costs;
- the strength of world economies;
- the stability of Europe and the Euro;
- fluctuations in interest rates and foreign exchange rates;
- changes in the supply of drybulk vessels, including when caused by new newbuilding vessel orders or changes to or terminations of existing orders, and vessel scrapping levels;
- general drybulk shipping market conditions, including fluctuations in charter hire rates and vessel values;
- changes in demand in the drybulk shipping industry, including the market for our vessels;
- changes in the value of our existing vessels;
- changes in our operating expenses, including bunker prices, drydocking and insurance costs;
- compliance with, and our liabilities under, governmental, tax environmental and safety laws and regulations;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from pending or future litigation;
- general domestic and international political conditions;
- potential disruption of shipping routes due to accidents or political events;
- our ability to procure or have access to financing, our liquidity and the adequacy of cash flows for our operations;
- our continued borrowing availability under our debt agreements and compliance with the covenants contained therein;
- our ability to successfully employ our drybulk vessels;
- our ability to fund future capital expenditures and investments in the construction, acquisition and refurbishment of our vessels (including the amount and nature thereof and the timing of completion thereof, the delivery and commencement of operations dates, expected downtime and lost revenue);
- risks associated with vessel construction;

- potential exposure or loss from investment in derivative instruments;
- potential conflicts of interest involving members of our board and senior management and our significant shareholders;
- our expectations regarding the availability of vessel acquisitions and our ability to complete acquisition transactions planned;
- vessel breakdowns and instances of off-hire; and
- drybulk shipping market trends, charter rates and factors affecting supply and demand.

We have based these statements on assumptions and analyses formed by applying our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in or referred to in this section. We undertake no obligation, and specifically decline any obligation, except as required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this annual report might not occur.

See “Item 3. Key Information—D. Risk Factors” for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this annual report are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Unless otherwise indicated, references to "Scorpio Bulkers," the "Company," "we," "our," "us" or similar terms refer to the registrant, Scorpio Bulkers Inc., and its subsidiaries, except where the context otherwise requires. We use the term deadweight tons, or dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, in describing the size of our vessels.

On December 31, 2015, we effected a one-for-twelve reverse stock split. All share and per share information throughout this annual report has been retroactively adjusted to reflect the reverse stock split. The par value was not adjusted as a result of the reverse stock split.

A. Selected Financial Data

The selected Consolidated Statement of Operations data and the Consolidated Balance Sheet data presented for the years ended December 31, 2017, 2016, 2015 and 2014 and for the period from March 20, 2013 (date of inception) to December 31, 2013, are derived from our audited consolidated financial statements. Such selected financial data should be read in connection with the consolidated financial statements contained in this report.

	For the Year Ended December 31,				Period from March 20, 2013 (date of inception) to December 31,
	2017	2016	2015	2014	2013
Dollars in thousands, except per share data					
Consolidated Statement of Operations Data:					
Total vessel revenue	$ 162,205	$ 78,402	$ 62,521	$ 48,987	$ —
Total operating expenses	187,777	179,133	554,130	166,475	5,505
Operating loss	(25,572)	(100,731)	(491,609)	(117,488)	(5,505)
Total other (loss) income	(34,154)	(24,104)	(19,180)	923	(802)
Net loss	$ (59,726)	$ (124,835)	$ (510,789)	$ (116,565)	$ (6,307)
Basic weighted average shares outstanding	71,794	56,174	21,410	11,466	3,327
Diluted weighted average shares outstanding	71,794	56,174	21,410	11,466	3,327
Basic loss per share	$ (0.83)	$ (2.22)	$ (23.86)	$ (10.17)	$ (1.90)
Diluted loss per share	$ (0.83)	$ (2.22)	$ (23.86)	$ (10.17)	$ (1.90)

Dollars in thousands	As of December 31, 2017	2016	2015	2014	Period from March 20, 2013 (date of inception) to December 31, 2013
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 68,535	$ 101,734	$ 200,300	$ 272,673	$ 733,896
Assets held for sale	—	—	172,888	43,781	—
Vessels, net	1,534,782	1,234,081	764,454	66,633	—
Vessels under construction	6,710	180,000	288,282	866,844	371,692
Total assets	1,643,410	1,547,157	1,473,093	1,321,024	1,105,684
Current liabilities (including current portion of bank loans)	58,590	24,550	124,577	20,265	1,472
Bank loans, net	576,967	493,793	342,314	29,549	—
Financing obligation	17,747	—	—	—	—
Senior Notes, net	72,726	72,199	71,671	71,222	—
Total liabilities	726,030	590,542	538,562	121,036	1,472
Shareholders' equity	917,380	956,615	934,561	1,199,988	1,104,212

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our securities, including our common shares and our 7.50% Senior Notes due 2019, which we refer to as our Senior Notes. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for the payment of dividends on our common shares and interest on our Senior Notes, or the trading price of our securities.

INDUSTRY SPECIFIC RISK FACTORS

Charter hire rates for drybulk vessels are volatile, which has in the past and may in the future adversely affect our earnings, revenue and profitability and our ability to comply with our loan covenants.

The drybulk shipping industry is cyclical with high volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of drybulk vessels has varied widely, and in recent years charter hire rates for drybulk vessels have declined significantly from historically high levels. In the past, time charter and spot market charter rates for drybulk carriers have declined below operating costs of vessels. The Baltic Dry Index, or the BDI, a daily average of charter rates for key drybulk routes published by the Baltic Exchange Limited, which has long been viewed as the main benchmark to monitor the movements of the drybulk vessel charter market and the performance of the entire drybulk shipping market, declined from a high of 11,793 on May 20, 2008 to a low of 290 on February 10, 2016, which represents a decline of 98%. In 2017, the BDI ranged from a low of 685 on February 14, 2017, to a high of 1,743 on December 12, 2017. As of February 8, 2018, the BDI was 1,106.

Fluctuations in charter rates result from changes in the supply of and demand for vessel capacity and changes in the supply of and demand for the major commodities carried by water internationally. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable. Since we primarily charter our vessels in the spot market we are exposed to the cyclicality and volatility of the spot market. Spot market charterhire rates may fluctuate significantly based upon available charters and the supply of and demand for seaborne shipping capacity, and we may be unable to keep our vessels fully employed in these short-term markets. Alternatively, charter rates available in the spot market may be insufficient to enable our vessels to operate profitably. A significant decrease in charter rates would affect asset values and adversely affect our profitability, cash flows and ability to pay dividends on our common shares, and interest on our Senior Notes. Furthermore, a significant decrease in charter rates would cause asset values to decline, and we may have to record an impairment charge in our consolidated financial statements which could adversely affect our financial results.

Factors that influence demand for drybulk vessel capacity include:

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

Factors that influence the supply of drybulk vessel capacity include:

- the number of newbuilding orders and deliveries, including slippage in deliveries;
- the number of shipyards and ability of shipyards to deliver vessels;
- port and canal congestion;
- the scrapping rate of older vessels;
- speed of vessel operation;
- vessel casualties; and
- the number of vessels that are out of service, namely those that are laid-up, drydocked, awaiting repairs or otherwise not available for hire.

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

We anticipate that the future demand for our drybulk vessels will be dependent upon economic growth in the world’s economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global drybulk fleet and the sources and supply of drybulk cargo to be transported by sea. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Global economic conditions may continue to negatively impact the drybulk shipping industry.

In the global economy, operating businesses have recently faced tightening credit, weakening demand for goods and services, weak international liquidity conditions, and declining markets. In particular, lower demand for drybulk cargoes as well as diminished trade credit available for the delivery of such cargoes have led to decreased demand for drybulk carriers, creating downward pressure on charter rates and vessel values. The relatively weak global economic conditions have and may continue to have a number of adverse consequences for drybulk and other shipping sectors, including, among other things:

- low charter rates, particularly for vessels employed on short-term time charters or in the spot market;
- decreases in the market value of drybulk vessels and limited second-hand market for the sale of vessels;
- limited financing for vessels;
- widespread loan covenant defaults; and
- declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The occurrence of one or more of these events could have a material adverse effect on our business, results of operations, cash flows and financial condition.

If economic conditions throughout the world decline, in particular in China and the rest of the Asia-Pacific region, this could negatively affect our results of operations, financial condition, cash flows and ability to obtain financing, and may adversely affect the market price of our common shares.

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. The credit markets in the United States and Europe have experienced contraction, deleveraging and reduced liquidity since the financial crisis in 2008, and the U.S. federal and state governments and European authorities have implemented or are considering a broad variety of governmental action and/or new regulation of the financial markets and may implement additional regulations in the future. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Securities and Exchange Commission, or the SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws.

As a result of any renewed concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets may increase as lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases, ceased to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available to the extent required, or that we will be able to refinance our 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 the acquisition of our newbuildings and additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

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 credit facilities or any future financial arrangements.

Economic slowdown in the Asia Pacific region, particularly in China, may have a materially adverse effect on us, as we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of drybulk commodities in ports in the Asia Pacific region. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of GDP, which had a significant impact on shipping demand. The growth rate of China's GDP is estimated to be approximately 6.8% for the year ended December 31, 2017, which is 0.1% higher than the growth rate for the year ended December 31, 2016, China's slowest growth rate for the previous five years, and continues to remain below pre-2008 levels. Our business, financial condition and results of operations, ability to pay dividends, as well as our future prospects, will likely be materially and adversely affected by an economic downturn in China or other countries in the Asia Pacific region.

The fair market values of our vessels have declined and may decline further, which could cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and we may incur a loss if we sell vessels following a decline in their market value.

The fair market values of drybulk vessels, including our vessels, have generally experienced high volatility and have declined in recent years. The fair market value of our vessels may continue to fluctuate depending on a number of factors, including:

- prevailing level of charter rates;
- general economic and market conditions affecting the shipping industry;
- types, sizes and ages of vessels;
- supply of and demand for vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental or other regulations;
- the need to upgrade vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise;

- technological advances; and
- competition from other shipping companies and other modes of transportation.

If the fair market values of our vessels decline further, we may not be in compliance with certain covenants contained in our secured credit facilities, which may result in an event of default. In such circumstances, we may not be able to refinance our debt or obtain additional financing. If we are not able to comply with the covenants in our secured credit facilities, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet. In addition, if we sell one or more of our vessels at a time when vessel prices have fallen, the sale may be less than the vessel's carrying value on our consolidated financial statements, resulting in a loss and a reduction in earnings.

Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of such acquisitions may increase and this could adversely affect our business, results of operations, cash flow and financial condition.

A reduction in charter rates and other market deterioration may require us to record impairment charges related to our long-lived assets (our vessels) and such charges may be large and have a material impact on our consolidated financial statements.

At December 31, 2017, we had vessels and vessels under construction of $1.5 billion in total on our consolidated balance sheet, representing 168% of our shareholders' equity. Additionally, as of December 31, 2017, we had $18.8 million of remaining installment payments due on our existing construction contract.

Our vessels are assessed if an event occurs or circumstances change that would more likely than not reduce the fair value of our vessels and vessels under construction below their carrying value. During 2017, we determined there were no changes in circumstances or events that indicated that the carrying amount of our vessels or vessel under construction may not be recoverable and therefore, an assessment of impairment was not performed. However, if our charter rates decline, we may be required to record impairment charges on our vessels and vessels under construction, which would require us to write down the carrying value of these assets to their fair value. Since vessels and vessels under construction comprise a substantial portion of our balance sheet, such charges could have a material impact on our consolidated financial statements.

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

Our operations are subject to numerous international, national, state and local laws, regulations, treaties and conventions in force in international waters and the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These laws and regulations include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Air Act, the U.S. Clean Water Act, or the CWA, and the U.S. Maritime Transportation Security Act of 2002, or the MTSA, and regulations of the International Maritime Organization, or IMO, including the International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as MARPOL) including the designation of Emission Control Areas, or ECAs, thereunder, the International Convention for the Safety of Life at Sea of 1974 (as from time to time amended and generally referred to as SOLAS), the International Convention on Civil Liability for Bunker Oil Pollution Damage, and the International Convention on Load Lines of 1966 (as from time to time amended), or the LL Convention.

Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or implementation of operational changes and may affect the resale value or useful lives of our vessels. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with them or the impact thereof on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. For example, the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, adopted by the UN International Maritime Organization in February 2004, calls for the phased introduction of mandatory reducing living organism limits in ballast water over time (as discussed further below). In order to comply with these living organism limits, vessel owners may have to install expensive ballast water treatment systems or make port facility disposal arrangements and modify existing vessels to accommodate those systems. The BWM Convention entered into force on September 8, 2017 and while we believe that our vessels have been fitted with systems that comply with the standards, we cannot be assured that these systems will be approved by the regulatory bodies of every jurisdiction in which we may wish to conduct our business. If they are not approved it could have an adverse material impact on our business, financial condition, and results of operations depending on the available ballast water treatment systems and the extent to which existing vessels must be modified to accommodate such systems.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States.

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, and certificates with respect to our operations, and satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows, financial condition, and our ability to pay dividends in the future, on our common shares, and interest on our Senior Notes.

An over-supply of drybulk carrier capacity may prolong or further depress the current low charter rates, which may limit our ability to operate our drybulk carriers profitably.

The supply of drybulk vessels has increased significantly since the beginning of 2006. According to SSY, as of December 2017, newbuilding orders have been placed for approximately 10.1% of the existing fleet capacity. Vessel supply growth has been outpacing vessel demand growth over the past few years causing downward pressure on charter rates. Until the new supply is fully absorbed by the market, charter rates may continue to be under pressure due to vessel supply in the near to medium term.

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

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

Acts of piracy on ocean-going vessels have had and may continue to have an adverse effect on our business.

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

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

Although we do not expect that our vessels will call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Iran, Sudan and Syria, from time to time on charterers' instructions, our vessels may call on ports located in such countries in the future. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which amended the Iran Sanctions Act. Among other things, CISADA introduced limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In 2012, President Obama signed Executive Order 13608 which prohibits foreign

persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On July 14, 2015, the P5+1 and the European Union announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program, or the JCPOA, which is intended to significantly restrict Iran's ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and that does not involve U.S. persons.

On January 16, 2016, which we refer to as Implementation Day, the United States joined the European Union and the United Nations in suspending a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency, or the IAEA, that Iran had satisfied its respective obligations under the JCPOA. These sanctions have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from the sanctions lists of the Office of Foreign Assets Control, or OFAC; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of October 18, 2023, which we refer to as Transition Day, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities.

OFAC acted several times in 2017 to add Iranian individuals and entities to its list of Specially Designated Nationals whose assets are blocked and with whom U.S. persons are generally prohibited from dealing. In addition, on January 13, 2017, OFAC announced an amendment to the Sudanese Sanctions Regulations, or SSR, to authorize all transactions prohibited by the SSR and Executive Orders 13067 and 13412, and to unblock certain property in which the Government of Sudan has an interest. On July 11, 2017, President Trump issued Executive Order 13804, extending until October 12, 2017, a review by the U.S. government of criteria for the revocation of certain sanctions on Sudan and the Government of Sudan. On October 6, 2017, the U.S. Department of State announced the revocation of sections 1 and 2 of Executive Order 13067 and all of Executive Order 13412, effective October 12, 2017. As such, effective October 12, 2017, U.S. persons are no longer prohibited from engaging in transactions that were previously prohibited under the SSR, including engaging in transactions with Sudan and the Government of Sudan.

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

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

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in volatility in our operating results to the extent that we enter into new charter agreements or renew existing agreements during a time when charter rates are weaker or we operate our vessels on the spot market or index based time charters, which may result in quarter-to-quarter volatility in our operating results. The drybulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere. The celebration of Chinese New Year in the first quarter of each year, also results in lower volumes of seaborne trade into China during this period. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues from our drybulk carriers may be weaker during the fiscal quarters ended June 30 and September 30, and, conversely, our revenues from our drybulk carriers may be stronger in fiscal quarters ended December 31 and March 31.

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

The operation of our vessels is affected by the requirements set forth in the International Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive “Safety Management System” that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation of vessels and describing procedures for dealing with emergencies. In addition, vessel classification societies impose significant safety and other requirements on our vessels.

The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of our vessels is, or will be when delivered to us, ISM Code-certified. However, if we are subject to increased liability for non-compliance or if our insurance coverage is adversely impacted as a result of non-compliance, it may negatively affect our ability to pay dividends on our common shares and interest on our Senior Notes. If any of our vessels are denied access to, or are detained in, certain ports as a result of non-compliance with the ISM Code, our revenues may be adversely impacted.

In addition, the hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. The cost of maintaining our vessels’ classifications may be substantial. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable and uninsurable, which could negatively impact our results of operations and financial condition.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

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 may result in the seizure of contents of our vessels, delays in the loading, offloading, trans-shipment or delivery of cargo, and the levying of customs duties, fines or other penalties against us.

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

Rising fuel, or bunker, prices may adversely affect our profits.

Since we primarily employ our vessels in the spot market or in spot market-oriented pools, we expect that fuel, or bunkers, will be typically the largest expense in our shipping operations for our vessels. While we believe that we will experience a competitive advantage as a result of increased bunker prices due to the greater fuel efficiency of our vessels compared to the average global fleet, changes in the price of fuel may adversely affect our profitability. 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 the 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. Further, fuel may become much more expensive in the future, which may reduce our profitability and the competitiveness of our business compared to other forms of transportation.

We operate drybulk vessels worldwide and as a result, our business has inherent operational risks, which may reduce our revenue or increase our expenses, and we may not be adequately covered by insurance.

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

Furthermore, **t**he operation of certain vessel types, such as drybulk carriers, has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach at sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels' holds. If a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads, leading to the loss of a vessel. If we are unable to adequately maintain our vessels, we may be unable to prevent these events. Any of these circumstances or events may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends on our common shares and interest on our Senior Notes. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

In the event of a casualty to a vessel or other catastrophic event, we will rely on our insurance to pay the insured value of the vessel or the damages incurred. We procure insurance for the vessels in our fleet against those risks that we believe the shipping industry commonly insures against. These insurances include marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks and crew insurances, and war risk insurance. Currently, the amount of coverage for liability for pollution, spillage and leakage available to us on commercially reasonable terms through protection and indemnity associations and providers of excess coverage is $1.0 billion per vessel per occurrence.

We have procured hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance coverage, and war risk insurance for our fleet. We do not maintain for our vessels insurance against loss of hire, which covers business interruptions that result from the loss of use of a vessel. We cannot assure you that we will be adequately insured against any or all risks, or that we will be able to obtain adequate insurance coverage for our fleet in the future. For example, in the past more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Additionally, our insurers may not pay particular claims, or may default on claims they are required to pay. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue. Moreover, insurers may default on claims they are required to pay. Any significant loss or liability for which we are not insured could have a material adverse effect on our financial condition.

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

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

subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

Governments could requisition our vessels during a period of war or emergency, which could negatively impact our business, financial condition, results of operations, and available cash.

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

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

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

COMPANY SPECIFIC RISK FACTORS

We cannot assure you that our available liquidity will be sufficient to meet our ongoing capital and operating needs.

We are exposed to the cyclicality and volatility of spot market charterhire rates, which have fluctuated, and may continue to fluctuate, significantly based upon available charters and the supply of and demand for seaborne shipping capacity. If charter rates available in the spot market are insufficient to enable our vessels to operate profitably it could adversely affect our available liquidity, profitability, cash flows, and financial results. Furthermore, a prolonged period of depressed charter rates or a significant decrease in charter rates may negatively impact our liquidity position and may cause our vessel values to decline, which could, among other things, affect our ability to comply with the financial covenants in our loan agreements. Please see "The fair market values of our vessels have declined and may decline further, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and we may incur a loss if we sell vessels following a decline in their market value" and "We are leveraged, which could significantly limit our ability to execute our business strategy, and we may be unable to comply with our covenants in our credit facilities that impose operating and financial restrictions on us, which could result in a default under the terms of these agreements."

Newbuilding projects are subject to risks that could cause delays, cost overruns or cancellation of our newbuilding contracts.

As of the date of this annual report, we are party to a shipbuilding contract with an established shipyard in China for the construction of one Kamsarmax newbuilding vessel for an aggregate purchase price of $25.5 million, of which $18.8 million remains to be paid. This vessel is expected to be delivered in the middle of 2018. Construction projects are subject to risks of delay or cost overruns inherent in any large construction project from numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, unanticipated cost increases between order and delivery, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions or any other events of force majeure. Significant cost overruns or delays could adversely affect our financial position, results of operations and cash flows. Additionally, failure to complete a project on time may result in the delay of revenue from that vessel.

In addition, in the event the shipyard does not perform under its contract and we are unable to enforce the refund guarantee with a third party bank for any reason, we may lose all or part of our investment, which would have an adverse effect on our results of operations, financial condition and cash flows.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.

We have entered, and may enter, into various contracts, including pooling arrangements, time charters, spot voyage charters, bareboat charters, shipbuilding contracts, credit facilities and other agreements. Such agreements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, and various expenses. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, in depressed market conditions, our charterers may no longer need a vessel that is then under charter or may be able to obtain a comparable vessel at lower rates. As a result, charterers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates given currently depressed drybulk carrier charter rate levels. As a result, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends on our common shares and interest on our Senior Notes, and comply with covenants in our credit facilities.

We are, and expect to continue to be, dependent on spot market-oriented pools and spot charters and currently low spot charter rates, or any further decrease in spot charter rates in the future will result in significant operating losses.

All of our vessels are employed in the Scorpio Kamsarmax Pool or the Scorpio Ultramax Pool, which we refer to together as the Scorpio Group Pools. During the year ended December 31, 2017, we earned 42% and 58% of our revenue from the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool, respectively. The Scorpio Group Pools in which our vessels operate are spot market-oriented commercial pools managed by our commercial manager, which are exposed to fluctuations in spot market charter rates. The spot charter market may fluctuate significantly based upon drybulk carrier supply and demand. The successful operation of our vessels in the competitive spot charter market, including within the Scorpio Group Pools, depends on, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is very volatile, and, there have been periods when spot charter rates have declined below the operating cost of vessels. If future spot charter rates decline we may be unable to operate our vessels trading in the spot market profitably, meet our obligations, including payments on indebtedness, or pay dividends in the future. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

Our ability to renew expiring charters or obtain new charters will depend on the prevailing market conditions at the time. If we are not able to obtain new charters in direct continuation with previous charters or for our newbuilding vessels upon their delivery to us, or if new charters are entered into at charter rates substantially below the existing charter rates or on terms otherwise less favorable compared to previous charter terms, our revenues and profitability could be adversely affected.

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

Our board of directors declared our first quarterly cash dividend on our common shares on October 23, 2017. However, we cannot assure you that we will continue to declare dividends in the future. The declaration and payment of dividends, if any, will always be subject to the discretion of our board of directors, restrictions contained in our credit facilities and the requirements of Marshall Islands law. The timing and amount of any dividends declared will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy, the terms of our outstanding indebtedness and the ability of our subsidiaries to distribute funds to us. The international drybulk shipping industry 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 herein. Our growth strategy contemplates that we will finance our acquisitions of additional vessels through debt financings or the net proceeds of future equity issuances 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 the amount of any cash available for the payment of dividends.

In general, under the terms of our credit facilities, we are not permitted to pay dividends if there is a default or a breach of a loan covenant. Please see "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources" for more information relating to restrictions on our ability to pay dividends under the terms of our credit facilities.

The Republic of Marshall Islands laws generally prohibit the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends and our subsidiaries may not have sufficient funds or surplus to make distributions to us. We can give no assurance that we will continue to declare dividends on our common shares in the future.

We may have difficulty managing our planned growth properly.

Our operating fleet of 56 vessels consists of 55 wholly-owned or finance leased drybulk vessels (including 18 Kamsarmax vessels and 37 Ultramax vessels), which were delivered to us beginning in 2015, and one time chartered-in Ultramax vessel. In addition, one Kamsarmax vessel is being constructed at Jiangsu New Yangzijiang Shipbuilding Co Ltd in China and is expected to be delivered to us in the middle of 2018. One of our principal strategies is to continue to grow by expanding our operations, and we may, in the future, increase the size of our fleet through timely and selective acquisitions. Our future growth will primarily depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

- identify suitable drybulk carriers, including newbuilding slots at shipyards and/or shipping companies for acquisitions at attractive prices;
- obtain required financing for our existing and new operations;
- identify businesses engaged in managing, operating or owning drybulk carriers for acquisitions or joint ventures;
- integrate any acquired drybulk carriers or businesses successfully with our existing operations, including obtaining any approvals and qualifications necessary to operate vessels that we acquire;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;
- identify additional new markets;
- enhance our customer base; and
- improve our operating, financial and accounting systems and controls.

Our failure to effectively identify, acquire, develop and integrate any drybulk carriers or businesses, or our inability to effectively manage the size of our fleet, could adversely affect our business, financial condition and results of operations.

Furthermore, the number of employees that perform services for us and our current operating and financial systems may not be adequate as we expand the size of our fleet in the drybulk sector, and we may not be able to effectively hire more employees or adequately improve those systems. In addition, if we further expand our fleet, we will need to recruit suitable additional seafarers and shore side administrative and management personnel. We cannot guarantee that we will be able to hire suitable employees as we expand our fleet. If we or our crewing agent encounters business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our fleet, our financial performance may be adversely affected and, among other things, the amount of cash available for distribution as dividends to our shareholders may be reduced. Finally, acquisitions may require additional equity issuances, which may dilute our common shareholders if issued at lower prices than the price at which they acquired their shares, or debt issuances (with amortization payments), both of which could lower our available cash. If any such events occur, 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.

Operating secondhand vessels exposes us to increased operating costs which may adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.

We have and may continue to acquire and operate secondhand vessels. While we typically inspect secondhand vessels prior to acquisition, 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. Generally, purchasers of secondhand vessels do not receive the benefit of warranties from the builders for the secondhand vessels that they acquire. A secondhand vessel may have conditions or defects that we were not aware of when we bought the vessel and which may require us to incur costly repairs to the vessel. These repairs may require us to put a vessel into drydock, which would reduce our operating days.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

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

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our vessels age typically they will become less fuel-efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

Technological innovation could reduce our charter hire income and the value of our vessels.

The charter hire rates and the value and operational life of a vessel are determined by a number of factors including the vessel’s efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to 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 drybulk carriers 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 once their initial charters expire and the resale value of our vessels could significantly decrease. As a result, our business, results of operations, cash flows and financial condition could be adversely affected.

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

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

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent which may have a material adverse effect on our financial condition.

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.

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

Our costs of operating as a public company are significant, and our management is required to devote substantial time to complying with public company regulations. We cannot assure you that our internal controls and procedures over financial reporting will be sufficient.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the other rules and regulations of the SEC, including the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and as such, we will have significant legal, accounting and other expenses. These reporting obligations impose various requirements on public companies, including changes in corporate governance practices, and these requirements may continue to evolve. We and our management personnel, and other personnel, if any, need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we need to perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We dedicate a significant amount of time and resources and incur substantial accounting expenses to ensure compliance with these regulatory requirements. We will continue to evaluate areas such as corporate governance, corporate control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We will make changes in any of these and other areas, including our internal control over financial reporting, which we believe are necessary. However, these and other measures we may take may not be sufficient to allow us to satisfy our obligations as a public company on a timely and reliable basis.

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

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

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

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

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

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

subject to a 4% U.S. federal income tax without allowance for any deductions, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury regulations promulgated thereunder.

We believe that we qualify for this statutory exemption for our 2017 taxable year and we expect to so qualify for our subsequent taxable years. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby cause us to become subject to U.S. federal income tax on our U.S. source shipping income. For example, there is a risk that we could no longer qualify for exemption under Section 883 of the Code for a particular taxable year if "non-qualified" shareholders with a five percent or greater interest in our stock were, in combination with each other, to own 50% or more of the outstanding shares of our stock on more than half the days during the taxable year. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we are not entitled to this exemption under Section 883 of the Code for any taxable year, we would be subject for such taxable year to a 4% U.S. federal income tax on our U.S. source shipping income on a gross basis. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings and cash available for distribution to our shareholders and to pay amounts due on our Senior Notes.

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

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

For our 2017 taxable year and subsequent taxable years, whether we will be treated as a PFIC will depend upon the nature and extent of our operations. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets. There is, however, no direct legal authority under the PFIC rules addressing our method of operation. Accordingly, no assurance can be given that the United States Internal Revenue Service, or IRS, or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any taxable year if there were to be changes in the nature and extent of our operations.

If we were treated as a PFIC for any taxable year, our U.S. shareholders may face adverse U.S. federal income tax consequences and information reporting obligations. Under the PFIC rules, unless those shareholders made an election available under the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be liable to pay U.S. federal income tax upon excess distributions and upon any gain from the disposition of our common shares at the then prevailing income tax rates applicable to ordinary income plus interest as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common shares. See "Item 10. Additional Information - E. Taxation - U.S. Federal Income Tax Considerations - U.S. Federal Income Taxation of U.S. Holders - Passive Foreign Investment Company 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 shares if we are or were to be treated as a PFIC.

Risks Related to Our Relationship with the Scorpio Group and its Affiliates

We are dependent on our managers and their ability to hire and retain key personnel, and there may be conflicts of interest between us and our managers that may not be resolved in our favor.

Our success depends to a significant extent upon the abilities and efforts of our technical manager, Scorpio Ship Management S.A.M., or SSM, our commercial manager, Scorpio Commercial Management, or SCM, and our management team and upon our and our managers' ability to hire and retain key members of our and their management teams, respectively. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain "key man" life insurance on any of our officers.

Our technical and commercial managers are affiliates of the Scorpio Group, which is owned and controlled by the Lolli-Ghetti family, of which our founder, Chairman and Chief Executive Officer, Mr. Emanuele Lauro, and our Vice President, Mr. Filippo Lauro, are members. Conflicts of interest may arise between us, on the one hand, and our commercial and technical managers, on the other hand. These conflicts may arise in connection with the chartering, purchase, sale and operation of the vessels in our fleet versus vessels managed by other companies affiliated with our commercial or technical managers. In particular, as of the date of this annual report, our commercial and technical managers, which are operated by entities affiliated with Messrs. Lauro, provide commercial and technical management services to approximately 184 and 137 vessels, respectively, in addition to vessels in our fleet, and our commercial and technical managers may operate additional vessels that will compete with our vessels in the future. Such conflicts may have an adverse effect on our results of operations. In addition, certain members of the Scorpio Group may benefit from economies of scale, all of which may not be passed along to us.

Our Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Vice President and Secretary do not devote all of their time to our business, which may hinder our ability to operate successfully.

Our Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Vice President and Secretary participate in business activities not associated with us, including serving as members of the management team of Scorpio Tankers Inc. (NYSE: STNG), or Scorpio Tankers, and are not required to work full-time on our affairs. We expect that each of our executive officers will continue to devote a substantial portion of their business time to the management of the Company. Additionally, our Chief Executive Officer, President, Chief Operating Officer, Vice President and Secretary serve in similar positions in other entities within the Scorpio Group. As a result, such executive officers may devote less time to us than if they were not engaged in other business activities and may owe fiduciary duties to both our shareholders as well as shareholders of other companies which they may be affiliated with, including Scorpio Tankers and Scorpio Group companies. This may create conflicts of interest in matters involving or affecting us and our customers and it is not certain that any of these conflicts of interest will be resolved in our favor. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our commercial and technical managers are each privately held companies and there is little or no publicly available information about them.

Our vessels are commercially managed by SCM and technically managed by SSM. SCM's and SSM's ability to render management services will depend in part on their own financial strength. Circumstances beyond our control could impair our commercial manager's or technical manager's financial strength, and because each is a privately held company, information about the financial strength of our commercial manager and technical manager is not available. As a result, we and our shareholders might have little advance warning of financial or other problems affecting our commercial manager or technical manager even though their financial or other problems could have a material adverse effect on us.

RISKS RELATED TO OUR INDEBTEDNESS

Servicing our current or future indebtedness limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.

Borrowing under our credit facilities requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness under such facilities. These payments limit funds available for working capital, capital expenditures and other purposes, including further equity or debt financing in the future. Amounts borrowed under our credit facilities bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the drybulk carrier industry. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

- seeking to raise additional capital;
- refinancing or restructuring our debt;
- selling drybulk carriers; or
- reducing or delaying capital investments.

However, these alternative financing plans, if necessary, may not be sufficient to allow us to meet our debt obligations. If we are unable to meet our debt obligations or if some other default occurs under our credit facilities, our lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral vessels securing that debt.

We are exposed to volatility in the London Interbank Offered Rate, or LIBOR, and have entered into derivative contracts, which can result in higher than market interest rates and charges against our income.

The loans under our secured credit facilities are generally advanced at a floating rate based on LIBOR, which has been stable, but was volatile in prior years, which can affect the amount of interest payable on our debt, and which, in turn, could have an adverse effect on our earnings and cash flow. In addition, although in recent years LIBOR has been at relatively low levels, LIBOR increased during 2016 and 2017 and may continue to rise in the future as the current low interest rate environment comes to an end. Our financial condition could be materially adversely affected despite entering into interest rate hedging arrangements to hedge our exposure to the interest rates applicable to our credit facilities. Moreover, our hedging strategies may not be effective and we may incur substantial losses.

We have entered, and may enter, into derivative contracts to hedge our overall exposure to interest rate risk exposure. Entering into swaps and derivatives transactions is inherently risky and presents various possibilities for incurring significant expenses. The derivatives strategies that we employ, and may employ, may not be successful or effective, and we could, as a result, incur substantial additional interest costs. Please see “Item 11. Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk.”

We may be adversely affected by the introduction of new accounting rules for leasing.

In early 2016, the U.S. accounting standard-setting board (the Financial Accounting Standards Board, or the FASB) issued new accounting guidance that would require lessees to record most leases on their balance sheets as lease assets and liabilities. Entities would still classify leases, but classification would be based on different criteria and would serve a different purpose than it does today. Lease classification would determine how entities recognize lease-related revenue and expense, as well as what lessors record on the balance sheet. Classification would be based on the portion of the economic benefits of the underlying asset expected to be consumed by the lessee over the lease term. Once adopted, the proposals would be expected generally to have the effect of bringing most off-balance sheet leases onto a lessee’s balance sheet as liabilities, which would also change the income and expense recognition patterns of those items. Financial statement metrics, including non-GAAP financial measures, such as leverage and capital ratios, as well as EBITDA and Adjusted EBITDA, may also be affected, even when cash flow and business activity have not changed. This may in turn affect covenant calculations under various contracts (such as loan agreements) unless the affected contracts are modified. The new standard will become effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

We are leveraged, which could significantly limit our ability to execute our business strategy and we may be unable to comply with our covenants in our credit facilities that impose operating and financial restrictions on us, which could result in a default under the terms of these agreements.

As of December 31, 2017, we had $730.6 million of outstanding indebtedness under our credit facilities, financing obligation and debt securities.

Our credit facilities impose operating and financial restrictions on us, that limit our ability, or the ability of our subsidiaries party thereto, to:

- pay dividends and make capital expenditures if we do not repay amounts drawn under our credit facilities or if there is another default under our credit facilities;
- incur additional indebtedness, including the issuance of guarantees;
- create liens on our assets;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- sell our vessels;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; and/or
- enter into a new line of business.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders’ interests may be different from ours and we may not be able to obtain our lenders’ permission when needed. This may limit our ability to pay dividends on our common shares and interest on our Senior Notes, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

In addition, our secured credit facilities require us to maintain specified financial ratios and satisfy financial covenants, including ratios and covenants based on the market value of the vessels in our fleet. Should our charter rates or vessel values materially decline in the future, we may seek to obtain waivers or amendments from our lenders with respect to such financial

ratios and covenants, or we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants. In 2016, we amended our credit facilities to reduce the minimum liquidity, interest coverage ratio and loan-to-value ratio covenants, as well as to amend the definition of net worth used in the leverage and net worth covenants. There can be no assurances that our lenders will grant any waivers or additional amendments in the future.

Events beyond our control, including changes in the economic and business conditions in the shipping markets in which we operate, may affect our ability to comply with these covenants. We cannot assure you that we will meet these ratios or satisfy these covenants or that our lenders will waive any failure to do so or amend these requirements. A breach of any of the covenants in, or our inability to maintain the required financial ratios under, our credit facilities would prevent us from borrowing additional money under our credit facilities and could result in a default under our credit facilities. If a default occurs under our credit facilities, the lenders could elect to declare the outstanding debt, together with accrued interest and other fees, to be immediately due and payable and foreclose on the collateral securing that debt, which could constitute all or substantially all of our assets. Moreover, in connection with any waivers or amendments to our credit facilities that we may obtain, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing credit facilities. These restrictions may further restrict our ability to, among other things, pay dividends, repurchase our common shares, make capital expenditures, or incur additional indebtedness.

Furthermore, our debt agreements contain cross-default provisions that may be triggered if we default under the terms of any one of our financing agreements. In the event of default by us under one of our debt agreements, the lenders under our other debt agreements could determine that we are in default under such other financing agreements. Such cross defaults could result in the acceleration of the maturity of such debt under these agreements and the lenders thereunder may foreclose upon any collateral securing that debt, including our vessels, even if we were to subsequently cure such default. In the event of such acceleration or foreclosure, we might not have sufficient funds or other assets to satisfy all of our obligations, which would have a material adverse effect on our business, results of operations and financial condition.

Please see “Item 5. Operating Financial Review and Prospects-B. Liquidity and Capital Resources-Credit Facilities, Finance Lease and Unsecured Notes.”

RISKS RELATING TO OUR COMMON SHARES

We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate law.

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

The market price of our common shares has fluctuated widely and may fluctuate widely in the future, or there may be no continuing public market for you to resell our common shares.

The market price of our common shares has fluctuated widely since our common shares began trading on the NYSE in December 2013, and may continue to do so as a result of many factors such as actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry, mergers and strategic alliances in the shipping industry, market conditions in the shipping industry, particularly the drybulk sector, changes in government regulation, shortfalls in our operating results from levels forecast by securities analysts, announcements concerning us or our competitors and the general state of the securities market. Further, there may be no continuing active or liquid public market for our common shares.

If the market price of our common shares falls below $5.00 per share, under NYSE rules, our shareholders will not be able to use such shares as collateral for borrowing in margin accounts. This inability to continue to use our common shares as collateral may lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common shares.

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.

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

Our amended and restated articles of incorporation authorize us to issue 112.5 million common shares, of which we have issued approximately 76.4 million common shares as of December 31, 2017. Sales of a substantial number of common shares in the public market, or the perception that these sales could occur, may depress the market price for our common shares. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future. We intend to issue additional common shares in the future. Our shareholders may incur dilution from any future equity offering and upon the issuance of additional common shares upon the exercise of options we grant to certain of our executive officers, or upon the issuance of additional common shares pursuant to our equity incentive plan.

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

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;
- establishing certain 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;
- prohibiting cumulative voting in the election of directors;
- limiting the persons who may call special meetings of shareholders;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding common shares entitled to vote for the directors; and
- establishing super majority voting provisions with respect to amendments to certain provisions of our amended and restated articles of incorporation and bylaws.

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Scorpio Bulkers Inc. is an international shipping company that was incorporated in the Republic of the Marshall Islands pursuant to the BCA on March 20, 2013. In December 2013, we completed our underwritten initial public offering of 2,608,333 common shares at $117.00 per share, and in January 2014, the underwriters in the initial public offering exercised their option to purchase an additional 391,250 common shares. In February 2014, we completed our offer to exchange unregistered common shares that were previously issued in Norwegian equity private placements (other than the common shares owned by affiliates of us) for common shares that were registered under the Securities Act of 1933, as amended, or the Securities Act, which we refer to as the Exchange Offer. Upon completion of the Exchange Offer, holders of 7,980,565 unregistered common shares validly tendered their shares in exchange for such registered common shares, representing a participation rate of 99.7%. On July 31, 2014, we delisted from the Norwegian Over-the-Counter List, or Norwegian OTC List. Our common shares are listed for trading on the New York Stock Exchange, or NYSE, under the symbol “SALT.”

Our principal executive offices are located at 9, Boulevard Charles III, Monaco 98000 and our telephone number at that location is +377-9798-5715.

B. Business Overview

We are an international shipping company that owns and operates the latest generation of newbuilding drybulk carriers with fuel-efficient specifications and carrying capacities of greater than 30,000 dwt. All of our owned vessels have carrying

capacities of greater than 60,000 dwt. Our vessels transport a broad range of major and minor bulk commodities, including ores, coal, grains, and fertilizers, along worldwide shipping routes, and are employed primarily in the spot market or in spot market-oriented pools of similarly sized vessels. As of the date of this annual report, our operating fleet of 56 vessels consisted of 55 wholly-owned or finance leased drybulk vessels and one chartered-in drybulk vessel, which we refer to collectively as our "Operating Fleet" (see below table for details). We also have a contract for the construction of one newbuilding drybulk vessel, which is expected to be delivered to us in the middle of 2018 (see below table for details). Upon delivery of this vessel, our owned and financed leased fleet is expected to have a total carrying capacity of approximately 3.9 million dwt.

Our Fleet

The following tables set forth certain summary information regarding our Operating Fleet and vessel under construction as of the date of this annual report:

Operating Fleet

Owned and Finance Leased fleet

Vessel Name	Year Built	DWT
Kamsarmax Vessels		
SBI Samba	2015	84,000
SBI Rumba	2015	84,000
SBI Capoeira	2015	82,000
SBI Electra	2015	82,000
SBI Carioca	2015	82,000
SBI Conga	2015	82,000
SBI Flamenco	2015	82,000
SBI Bolero	2015	82,000
SBI Sousta	2016	82,000
SBI Rock	2016	82,000
SBI Lambada	2016	82,000
SBI Reggae	2016	82,000
SBI Zumba	2016	82,000
SBI Macarena	2016	82,000
SBI Parapara	2017	82,000
SBI Mazurka	2017	82,000
SBI Swing	2017	82,000
SBI Jive	2017	82,000
Total Kamsarmax		**1,480,000**
Ultramax Vessels		
SBI Antares	2015	61,000
SBI Athena	2015	64,000
SBI Bravo	2015	61,000
SBI Leo	2015	61,000
SBI Echo	2015	61,000
SBI Lyra	2015	61,000
SBI Tango	2015	61,000
SBI Maia	2015	61,000
SBI Hydra	2015	61,000
SBI Subaru	2015	61,000
SBI Pegasus	2015	64,000
SBI Ursa	2015	61,000
SBI Thalia	2015	64,000
SBI Cronos	2015	61,000
SBI Orion	2015	64,000
SBI Achilles	2016	61,000
SBI Hercules	2016	64,000

Vessel Name	Year Built	DWT
SBI Perseus	2016	64,000
SBI Hermes	2016	61,000
SBI Zeus	2016	60,200
SBI Hera	2016	60,200
SBI Hyperion	2016	61,000
SBI Tethys	2016	61,000
SBI Phoebe	2016	64,000
SBI Poseidon	2016	60,200
SBI Apollo	2016	60,200
SBI Samson	2017	64,000
SBI Phoenix	2017	64,000
SBI Gemini	2015	64,000
SBI Libra	2017	64,000
SBI Puma	2014	64,000
SBI Jaguar	2014	64,000
SBI Cougar	2015	64,000
SBI Aries	2015	64,000
SBI Taurus	2015	64,000
SBI Pisces	2016	64,000
SBI Virgo	2017	64,000
Total Ultramax		**2,307,800**
Aggregate Owned and Financed Leased DWT		**3,787,800**

Time chartered-in vessel

Vessel Type	Year Built	DWT	Where Built	Daily Base Rate	Earliest Expiry
Ultramax	2017	62,100	Japan	$ 10,125	30-Sep-19 [1]
Aggregate Time Chartered-in DWT		**62,100**			

[1] This vessel has been time chartered-in for 22 to 24 months at the Company's option at $10,125 per day. The Company has the option to extend this time charter for one year at $10,885 per day.

In addition, we have a profit and loss sharing agreement in place for a Panamax vessel that we previously chartered in, pursuant to which we have agreed to split all the vessel's profits and losses for a two-year period that expires in the first quarter of 2019.

Vessel Under Construction

Kamsarmax Vessel

Vessel Name	Expected Delivery	DWT	Shipyard
Hull 2215 - TBN SBI Lynx	Q2-18	82,000	Jiangsu Yangzijiang Shipbuilding Co. Ltd.
Total Newbuilding DWT		**82,000**	

Employment of Our Fleet

We typically operate our vessels in spot market-oriented commercial pools, in the spot market or, under certain circumstances, on time charters.

Spot Market-Oriented Commercial Pools

To increase vessel utilization and thereby revenues, we participate in commercial pools with other shipowners with similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools

offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial managers and operators who have close working relationships with customers and brokers, while technical management is performed by each shipowner. The managers of the pools negotiate charters with customers primarily in the spot market but may also arrange time charter agreements. The size and scope of these pools enable them to enhance vessel utilization rates for pool vessels by securing backhaul voyages, which is when cargo is transported on the return leg of a journey, and contracts of affreightment, or COAs, thus generating higher effective time charter equivalent, or TCE, revenues than otherwise might be obtainable in the spot market, while providing a higher level of service offerings to customers.

As of the date of this annual report, all of the vessels in our Operating Fleet are employed in one of the Scorpio Group Pools, which are spot market-oriented commercial pools managed by our commercial manager, which exposes us to fluctuations in spot market charter rates. In addition, we expect that the drybulk vessel that is currently under construction will be employed in a Scorpio Group Pool following its delivery to us. Our vessels participate in the Scorpio Group Pools under the same contractual terms and conditions as the third party vessels in the pool. Each pool aggregates the revenues and expenses of all of the pool participants and distributes the net earnings calculated on (i) the number of pool points for the vessel, which are based on vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics, and (ii) the number of days the vessel operated in the period. SCM, a Monaco corporation controlled by the Lolli-Ghetti family of which our co-founder, Chairman and Chief Executive Officer is a member, as is our Vice President, is responsible for the administration of the pool and the commercial management of the participating vessels, including marketing the pool, negotiating charters, including voyage charters, short duration time charters and COAs, conducting pool operations, including the distribution of pool cash earnings, and managing bunker (fuel oil) purchases, port charges and administrative services for the vessels. SCM, as operator of the Scorpio Group Pools, charges $300 a day for each vessel, whether owned by us or chartered-in, plus a 1.75% commission on the gross revenues per charter fixture. See “-Management of our Business” below.

The pool participants remain responsible for all other costs including the financing, insurance, manning and technical management of their vessels. The earnings of all of the vessels are aggregated and divided according to the relative performance capabilities of the vessel and the actual earning days each vessel is available.

Spot Market

A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed freight per ton of cargo or a specified total amount. Under spot market voyage charters, we pay specific voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis.

Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the spot market generate revenue that is less predictable than those under time charters, but may enable us to capture increased profit margins during periods of improvements in drybulk vessel charter rates. Downturns in the drybulk industry would result in a reduction in profit margins.

Time Charters

Time charters give us a fixed and stable cash flow for a known period of time. Time charters also mitigate in part the volatility and seasonality of the spot market business, which is generally weaker in the second and third quarters of the year. We opportunistically employ vessels under time charter contracts. We may also enter into time charter contracts with profit sharing agreements, which enable us to benefit when the spot market rates increase.

Management of Our Business

On September 29, 2016, we agreed to amend our master agreement, or the Master Agreement, with SCM and SSM, and our administrative services agreement, or the Administrative Services Agreement, with Scorpio Services Holding Limited, or SSH, under a deed of amendment, or the Deed of Amendment. Pursuant to the terms of the Deed of Amendment, on December 9, 2016, we entered into definitive documentation to memorialize the agreed amendments to the Master Agreement, or the Amended and Restated Master Agreement. The Amended and Restated Master Agreement and the Administrative Services Agreement as amended by the Deed of Amendment, or the Amended Administrative Services Agreement, are effective as from September 29, 2016.

Pursuant to the Amended and Restated Master Agreement, effective beginning on the fifth day within any 20 trading day period that the closing price of our common shares on the NYSE is equal to or greater than $5.00, the commission payable for commercial management would be reinstated to 1.75% of all monies earned by a vessel from 1%. As of close of trading on the NYSE on November 18, 2016, the condition was met and the commission payable for commercial management was reinstated to 1.75% of all monies earned by a vessel, effective November 19, 2016.

In December 2017, we agreed to amend the Amended and Restated Master Agreement to amend and restate the technical management agreement thereunder subject to bank consents being obtained (where required), which were subsequently obtained. On February 22, 2018, we entered into definitive documentation to memorialize the agreed amendments to the Amended and Restated Master Agreement under a deed of amendment, or the Amendment Agreement. The Amended and Restated Master Agreement as amended by the Amendment Agreement, or the Revised Master Agreement, is effective as from January 1, 2018.

Pursuant to the Revised Master Agreement, the fixed annual technical management fee was reduced from $200,000 to $160,000, and certain services previously provided as part of the fixed fee are now itemized. The aggregate cost, including the costs that are now itemized, for the services provided under the technical management agreement do not materially differ from the annual management fee charged prior to the amendment.

Set forth below is a description of the other material terms of the Revised Master Agreement and the Amended Administrative Services Agreement. Please also see Note 14, *Related Party Transactions*, to the Consolidated Financial Statements included herein for additional information.

Commercial and Technical Management - Revised Master Agreement

Our vessels are commercially managed by SCM and technically managed by SSM pursuant to the Revised Master Agreement, which may be terminated by either party upon 24 months' notice, unless terminated earlier in accordance with the provisions of the Revised Master Agreement. In the event of the sale of one or more vessels, a notice period of three months' and a payment equal to three months of management fees will apply, provided that the termination does not amount to a change of control, including a sale of substantially all vessels, in which case a payment equal to 24 months of management fees will apply. SCM and SSM are companies affiliated with us. The vessel we charter-in is also commercially managed by SCM. We expect that additional vessels that we may charter-in or acquire in the future, and the drybulk vessel that is expected to be delivered to us during the middle of 2018, will also be managed under the Revised Master Agreement or on substantially similar terms as the Revised Master Agreement.

SCM's services include securing employment for our vessels in the spot market or on time charters. SCM also manages the Scorpio Group Pools in which our vessels are employed. For commercial management of any of our vessels that does not operate in one of these pools, we pay SCM a daily fee of $300 per vessel, plus a 1.75% commission on the gross revenues per charter fixture. The Scorpio Group Pool participants, including us and third-party owners, are each expected to pay SCM a pool management fee of $300 per vessel per day, plus a 1.75% commission on the gross revenues per charter fixture.

SSM's services include providing technical support, such as arranging the hiring of qualified officers and crew, supervising the maintenance and performance of vessels, purchasing supplies, spare parts and new equipment, arranging and supervising drydocking and repairs, and monitoring regulatory and classification society compliance and customer standards. We pay SSM an annual fee of $160,000 plus charges for certain itemized services per vessel to provide technical management services for each of our owned vessels. In addition, representatives of SSM, including certain subcontractors, provide us with construction supervisory services while our vessels are being constructed in shipyards. For these services, we compensate SSM for its direct expenses, which can vary between $200,000 and $500,000 per vessel. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Commercial and Technical Management Agreements" for additional information.

Amended Administrative Services Agreement

In 2016, we entered into the Amended Administrative Services Agreement with SSH for the provision of administrative staff, office space and accounting, legal compliance, financial and information technology services. SSH is a company affiliated with us. The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group. Pursuant to the Amended Administrative Services Agreement, we reimburse SSH for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above.

SSH also arranges vessel sales and purchases for us. We previously paid SSH a fee, payable in the Company's common shares, for arranging vessel acquisitions, including newbuildings. The amount of common shares payable was determined by dividing $250,000 by the market value of our common shares based on the volume weighted average price of our common shares over the 30 trading day period immediately preceding the contract date of a definitive agreement to acquire any vessel. As of the date of this annual report, we issued an aggregate of 180,716 common shares to SSH in connection with the deliveries of newbuilding vessels. In November 2014, SSH agreed to waive its fee on vessel acquisitions contracted after November 20, 2014, for so long as the closing price of our common shares remained below a specified threshold. Effective September 29, 2016, pursuant to the terms of the Amended Administrative Services Agreement, we agreed with SSH to eliminate this fee on all future acquisitions.

In addition, SSH has agreed with us not to own any drybulk carriers greater than 30,000 dwt for so long as the Amended Administrative Services Agreement is in full force and effect. This agreement may be terminated by SSH upon 12 months' notice or by us with 24 months' notice.

Recent and Other Developments

Vessel Acquisitions and Associated New Credit Facilities

During the fourth quarter of 2017, we acquired six Chinese built Ultramax dry bulk vessels for $142.5 million in the aggregate ($135.1 million in cash and $7.4 million in stock). Three of the vessels were built in 2015, one was built in 2016, and two were built in 2017.

These acquisitions were funded in part by a senior secured credit facility for up to $85.5 million, or the $85.5 Million Credit Facility. The facility has a maturity date of February 15, 2023 and bears interest at LIBOR plus a margin of 2.85%. This facility is secured by, among other things, a first preferred mortgage on the six Ultramax vessels and guaranteed by each vessel owning subsidiary.

During the fourth quarter of 2017, we also acquired three Chinese built Ultramax dry bulk vessels for $64.5 million in the aggregate ($51.6 million in cash and $12.9 million in stock). Two of the vessels were built in 2014 and one was built in 2015.

These acquisitions were funded in part by a senior secured credit facility for up to $38.7 million, or the $38.7 Million Credit Facility. The facility has a maturity date of December 13, 2022 and bears interest at LIBOR plus a margin of 2.85%. This facility is secured by, among other things, a first preferred mortgage on the three Ultramax vessels and guaranteed by each vessel owning subsidiary.

During the fourth quarter of 2017, we also entered into an agreement to purchase one Kamsarmax dry bulk vessel for $25.5 million, of which $18.8 million remains unpaid at December 31, 2017. The Kamsarmax bulk carrier is a resale unit that is expected to be delivered to us from Jiangsu New Yangzijiang Shipbuilding Co Ltd in China in the middle of 2018.

During the fourth quarter of 2017, we entered into a financing transaction regarding one of our Kamsarmax vessels with unaffiliated third parties involving the sale and leaseback of the SBI Rumba, a 2015 Japanese built Kamsarmax dry bulk vessel, for consideration of approximately $19.6 million, or the $19.6 Million Lease Financing. As part of the transaction, we have agreed to make monthly payments of $164,250 under a nine and a half year bareboat charter agreement with the buyers, which we have the option to extend for a further six months. The cost of the financing is equivalent to an implied fixed interest rate of 4.23% for 10 years. The agreement also provides us with options to repurchase the vessel beginning on the fifth anniversary of the sale and until the end of the agreement.

For additional information regarding our credit facilities and other debt arrangements, please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Credit Facilities, Finance Lease and Unsecured Notes."

Share Repurchase Program

In September 2017, our board of directors authorized the repurchase of up to $50.0 million of our common stock in open market or privately negotiated transactions. We repurchased approximately 1.5 million shares of our common stock pursuant to this share repurchase program in the fourth quarter of 2017 at a cost of approximately $11.0 million, or at an average cost of $7.51 per share, which was funded from our available cash resources. As of the date of this annual report, approximately $39.0 million of the $50.0 million authorized remains available. The specific timing and amounts of the repurchases will be in the sole discretion of management and may vary based on market conditions and other factors, but we are not obligated under the terms of the program to repurchase any of our common stock. The authorization has no expiration date.

Dividend

During the fourth quarter of 2017, our Board of Directors declared and we paid a quarterly cash dividend of $0.02 per common share, totaling approximately $1.5 million.

On February 5, 2018, our Board of Directors declared a quarterly cash dividend of $0.02 per common share, payable on or about March 15, 2018, to shareholders of record as of February 15, 2018.

Our Customers

We believe that developing strong relationships with the end users of our services allow us to better satisfy their needs with appropriate and capable vessels. All of our vessels are employed in Scorpio Group Pools, which are spot market-oriented commercial pools managed by our commercial manager, SCM. A prospective charterer's financial condition, creditworthiness, reliability and track record are important factors in negotiating our vessels' employment, which SCM evaluates on our behalf. We earned 42% and 58% of our revenue from the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool, respectively, during the year ended December 31, 2017, 40% and 60% of our revenue (including commissions from SCM) from the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool, respectively, during the year ended December 31, 2016, and 41%, 43%, and 8% of our revenue (including commissions from SCM) from the Scorpio Kamsarmax Pool, the Scorpio Ultramax Pool and the Scorpio Capesize Pool, respectively, during the year ended December 31, 2015.

Seasonality

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter to quarter volatility in our operating results. The drybulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months may disrupt vessel scheduling and supplies of certain commodities. As a result, revenues of drybulk carrier operators in general have historically been weaker during the fiscal quarters ended June 30 and September 30, and, conversely, been stronger in fiscal quarters ended December 31 and March 31. This seasonality may materially affect our operating results and cash available for the payment of dividends.

Competition

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation and that of our commercial manager. We compete primarily with other independent and state-owned drybulk vessel-owners. Our competitors may have more resources than us and may operate vessels that are newer, and therefore more attractive to charterers, than our vessels. Ownership of drybulk vessels is highly fragmented and is divided among publicly listed companies, state-controlled owners and private shipowners.

Industry and Market Conditions

The Drybulk Shipping Industry

Except as otherwise indicated, the statistical information and industry and market data contained in this section is based on or derived from statistical information and industry and market data collated and prepared by SSY Consultancy & Research Ltd ("SSY"). The data is based on SSY's review of such statistical information and market data available at the time (including internal surveys and sources, independent financial information, independent external industry publications, reports or other publicly available information). Due to the incomplete nature of the statistical information and market data available, SSY has had to make some estimates where necessary when preparing the data. The data is subject to change and may differ from similar assessments obtained from other analysts of shipping markets. Whilst reasonable care has been taken in the preparation of the data, SSY has not undertaken any independent verification of the information and market data obtained from published sources.

Industry Overview

Drybulk shipping mainly comprises the shipment of minerals, such as iron ore and coal, other industrial raw materials and various agricultural products. Of these, the major cargoes are iron ore, coal and grain. The remaining minor bulk cargoes include steel products, bauxite/alumina, nickel ore, cement, petroleum coke, forest products, fertilizers and non-grain agricultural products, such as sugar.

Charterers in the drybulk shipping industry range from cargo owners (such as mining companies and grain houses) to end-users (such as steel producers and power utilities) and also include a number of different trading companies and ship operators.

Total international seaborne drybulk trade is estimated to have reached a new annual record of approximately 4.52 billion tonnes in 2017. This represents an increase of an estimated 3.6% from the 2016 level and an estimated 20.1% from the 2012 level, which was marginally below the compound annual average growth rate, or CAGR, for the period 2012 to 2017. With the exception of 2009 when the global economy was in recession, seaborne drybulk trade has recorded positive annual growth in every year since 1998. While the 2017 trade estimates set out in the table below will be subject to revision, as final trade statistics become available, SSY's current estimates indicate the biggest annual rise in seaborne trade volumes since 2014, albeit that this growth was unevenly distributed between the various dry bulk cargo types.

World Seaborne Drybulk Trade
(million tonnes)

Cargo/Year	2012	2013	2014	2015	2016	2017	2012-17 % Growth	CAGR
Major Bulks	**2,611**	**2,824**	**2,998**	**2,992**	**3,083**	**3,185**	**22%**	**4%**
Iron Ore	1,138	1,256	1,391	1,414	1,482	1,530	35%	6%
Coal	1,120	1,199	1,184	1,128	1,127	1,148	3%	1%
Grains	353	369	423	450	475	507	44%	8%
Minor Bulks	**1,155**	**1,214**	**1,233**	**1,254**	**1,280**	**1,336**	**16%**	**3%**
Total	**3,766**	**4,038**	**4,230**	**4,245**	**4,363**	**4,521**	**20%**	**4%**

Totals may not add due to rounding

Cargo Types

Iron ore: The key raw material for steelmaking, iron ore trade surged on the back of unprecedented Chinese import demand to be the single largest seaborne drybulk cargo, with annual volumes expanding more than three-fold since 2000 to an estimated 1,530 million tonnes, or Mt, in 2017. Last year saw the sequence of annual increases extended to 16 years with volumes up by an estimated 3.2% from 2016 and 34.5% from 2012. This was slower than the corresponding growth in world steel production, which rose by an estimated 5.3% in 2017 with increases in most of the main steel producing regions. In addition to China which, as described elsewhere in this section, has become the dominant importer accounting for over two-thirds of seaborne imports in 2017, the main import markets for iron ore are Japan, Western Europe and South Korea. Exports are dominated by Australia and Brazil, which together accounted for an estimated 82% of the seaborne market in 2017 with a large majority of their cargoes carried by Capesize vessels given the favorable unit economies. This market share has increased from 74% in 2012, mainly due to the introduction of additional Australian export capacity, with both countries recording new annual export records in 2017. Other iron ore exporters include Canada, India, South Africa and West Africa.

Coal: At an estimated 1,148 million tonnes in 2017, global seaborne coal trade increased by an estimated 1.9% from its 2016 level and represented the first year of positive annual growth since 2013. This compared with a CAGR of 1% for the entire five-year period from 2012 to 2017. Coal trade is comprised of two main categories: (1) steam coal (which is chiefly used for electricity generation, but also by industrial users, such as the cement industry) and (2) coking coal (a key input for blast furnace steelmaking). Both categories have experienced lower trade volumes since 2013, but steam coal trade is estimated to have rebounded to a three year high in 2017.

Although the import market for coal was historically dominated by import demand from Japan and Western Europe, the last decade has seen China and India emerge as key importers of both categories of coal. The leading exporter of coking coal is Australia, followed by the United States and Canada. Indonesia is the largest exporter of steam coal, ahead of Australia, the former Soviet Union, Colombia, South Africa and the United States.

Between 2005 and 2013, China transformed from a major steam coal exporting nation to the single largest importer, representing the strength of the country's domestic demand for power generation. However, imports represent a very small share (i.e. less than 10%) of coal consumption in China (which is the world's largest coal producer) and, as a result, imports have been subject to major fluctuations in response to changes in domestic market conditions. For example, in 2014 China recorded a sharp annual decline in steam coal imports, against the background of an oversupplied domestic coal market and government intervention to restrict imports. The rate of decline quickened in 2015, reducing the country's steam coal imports to a six-year low, before the downward trend was reversed in 2016 with both coking and steam coal imports increasing, mainly as a result of government-driven cuts in domestic coal production. Further Chinese government interventions aimed at managing the domestic coal market in 2017 contributed to some significant monthly variations in import volumes, but the combined annual total for coking and steam coal imports is estimated to be the highest since 2014.

India remained the single largest coal importer in 2017, even though its annual volumes have struggled to generate any growth since 2014, mainly due to rising domestic coal production. Japan, South Korea and Taiwan, together with Western Europe, remain major import markets, while South East Asia and Latin America have grown in importance as coal import generators. Although investments in new port facilities enabled the participation of Capesize vessels in the Asia-led coal trade growth during the period from 2010 to 2013, it has chiefly benefitted demand for Panamax and Handymax vessels.

Grains: Seaborne grain trade is comprised of wheat, coarse grains (corn, barley, oats, rye and sorghum) and soybeans/meal, which together totaled an estimated new record of 507 Mt in 2017, according to preliminary trade data. This was up by an estimated 6.9% from 2016 and compares with a CAGR of 7.5% for the period from 2012 to 2017, which is the highest of the major bulk cargoes. In addition, the grain trades remain an important source of freight market volatility due to both the seasonality of export flows and year-on-year variations in crop surpluses and deficits.

Soy is the largest of the three main categories of grain trade with Brazil, the United States and Argentina the leading export countries. The principal markets are in Europe and Far East Asia with China being the world's single largest soybean importer. Shipments are dominated by Panamax and Handymax vessels. Wheat and coarse grains are also primarily carried by mid-size vessels with the United States, Canada, Russia, Ukraine, Argentina, Brazil, Australia and the European Union the main exporting regions. In addition to Far East Asia and Europe, the Middle East, Africa and Latin America are all significant import markets.

Minor Bulks: A diversity of cargo types are covered under this heading with different sets of demand drivers. Nevertheless, together at approximately 1.34 billion tonnes per annum these trades represent a major source of employment for the smaller Handysize and Handymax vessels.

In recent years the pattern of minor bulk trade has been altered by government restrictions on the export of key industrial ores in South East Asia. This was led by an Indonesian ban on the export of unprocessed mineral ores beginning in January 2014, which reduced the country's combined exports of bauxite and nickel ore from 121 Mt in 2013 to zero in 2015 and 2016. Bauxite trade did benefit from a sharp increase in exports from Malaysia in 2015, but in early 2016 the Malaysian government announced a temporary suspension of domestic bauxite mining, which was subsequently extended until the end of 2017. This turned the focus of importers in China (the world's biggest bauxite market) to longer haul supplies, particularly from West Africa (where fronthaul cargoes are now predominantly carried by Capesize vessels). Since the beginning of 2017 the Indonesian government has moved to partially relax its ban on unprocessed mineral ore exports with limited volumes beginning to emerge onto the international market. However, uncertainties continue to surround the availability of South East Asian mineral ores with, for example, the government of the Philippines reported to be considering a ban on its nickel ore exports.

Despite these constraints, total minor bulk trade is estimated to have achieved a new annual record in 2017. The estimated CAGR for minor bulk trade volumes for the period from 2012 to 2017 was 3%.

Demand for Drybulk Shipping

Drybulk trade is a function of levels of (a) economic activity, (b) the industrialization/urbanization of developing countries, (c) population growth (plus changes in dietary habits) and (d) regional shifts in cargo supply/demand balances, which can occur, for example, due to the development of new export/import capacity or depletion/development of mineral reserves. The distances shipped chiefly reflect regional commodity surpluses and deficits. Generally, the more concentrated the sources of cargo supply, the greater the average distance shipped.

Ship demand is determined by the overall volumes of cargo moved and the distance that these are shipped, or tonne-mile demand, as well as changes in vessel efficiency. These changes may be caused by such factors as (1) vessel speed (which will change in response to movements in fuel costs and freight market earnings); (2) port delays (which have been a common occurrence in the last 15 years as inland and port logistics in several key export areas struggled to meet surging global demand) and (3) laden to ballast ratios, or how much time vessels spend sailing empty on re-positioning voyages. Ballasting has also been on the increase over the last 10 to 15 years due to the widening imbalance in cargo flows between the Atlantic and Pacific Basins.

World seaborne drybulk trade followed a steady underlying upward trend during the 1980s and 1990s. CAGR in the major drybulk cargoes over this period was an estimated 2.5%, before accelerating sharply to 6.3% during the period from 2000 to 2009 and being sustained at an estimated 5.3% between 2010 and 2017.

The growth in drybulk trade volumes since 2000 has been primarily due to the rapid industrialization and urbanization of China. From approximately 130 Mt in 2000, Chinese drybulk imports have increased more than thirteen-fold, as illustrated in the chart below. Such an expansion was facilitated by investments in new mining and port facilities in key exporting areas around the world in response to Chinese-driven rises in commodity prices from 2004 to 2011.

The table below provides a more detailed comparison of China's drybulk imports from 2012 to 2017, which shows a new annual record last year with customs data indicating an increase in aggregate volumes of 122.0 Mt in 2017 to approximately 1,735 Mt. All of the major cargo types contributed to this growth, including new annual records for imports of iron ore, soybeans and several minor bulk cargoes (such as manganese ore and logs).

Iron ore has been the leading source of growth in Chinese drybulk imports over the last five years. The 330 Mt increase in iron ore imports between 2012 and 2017 reflects not only increases in domestic steel production (and, therefore, iron ore consumption) to meet the needs of an industrializing and urbanizing economy, as well as exports of steel products, but also the substitution of higher-quality imported iron ore for lower-quality domestic supplies and increases in port stocks. Consequently, iron ore imports have grown more rapidly than Chinese steel production over the last five years and now account for a large majority of Chinese iron ore consumption.

Growth in China's iron ore trades has mainly been to the benefit of Capesize vessels, hauling cargoes from West Australia and Brazil. Australia and Indonesia are the primary sources of Chinese coal imports, while in the grain trades increased Chinese demand for soybeans from Latin America and the United States has boosted tonne-mile demand for Panamax and Supramax vessels.

Bauxite (the main raw material for the aluminum industry) was the single largest category of minor bulk cargo imported by China in 2017, at 68.8 Mt, which was 32% above the annual total in 2016 and the second highest year on record. This growth was dominated by Guinea, which overtook Australia as the biggest bauxite supplier to China. There was some resumption in imports from Indonesia, which had been the leading source of Chinese bauxite imports prior to 2014, but volumes remained modest by historical standards and are estimated to have accounted for less than 2% of last year's annual total. Chinese buyers of nickel ore have had greater difficulty in finding alternatives to lost Indonesian supplies with total annual nickel ore imports falling from 71.2 Mt in 2013 to 31.9 Mt in 2016, before a partial rebound to 35.0 Mt in 2017.

Chinese Drybulk Imports (Million Tonnes)

	2012	**2016**	**2017**	**CAGR**
Iron Ore	745.5	1,024.7	1,075.4	+8%
Coal*	288.0	255.7	271.1	(1)%
Bauxite/Alumina	45.1	55.1	71.6	+10%
Grains	72.4	105.1	121.2	+11%
Other**	180.4	172.1	195.4	+2%
Total of above	**1,331.4**	**1,612.7**	**1,734.7**	+5%

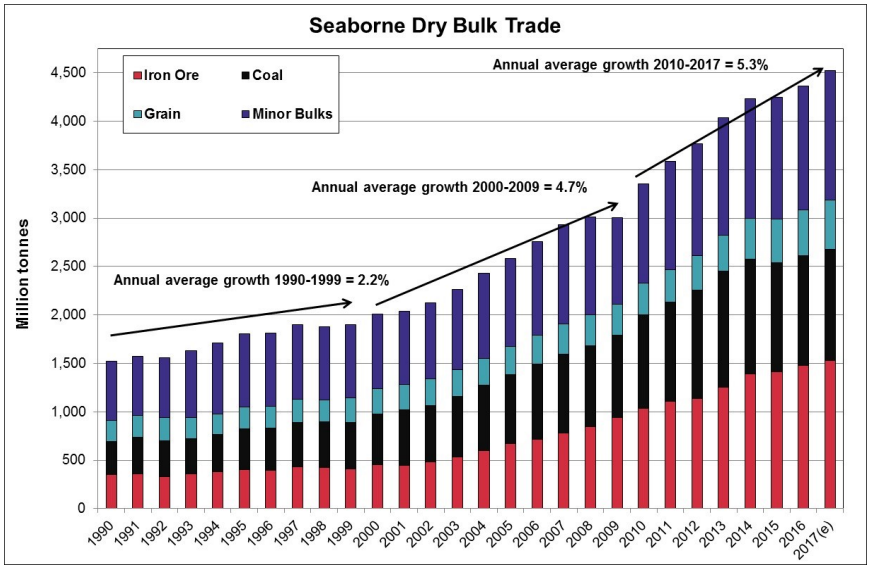
* Includes lignite, which is excluded from SSY's estimates for seaborne coal trade and categorized as a minor bulk.
** Includes mineral ores (such as nickel), pulp/wood chip/logs and petroleum coke.

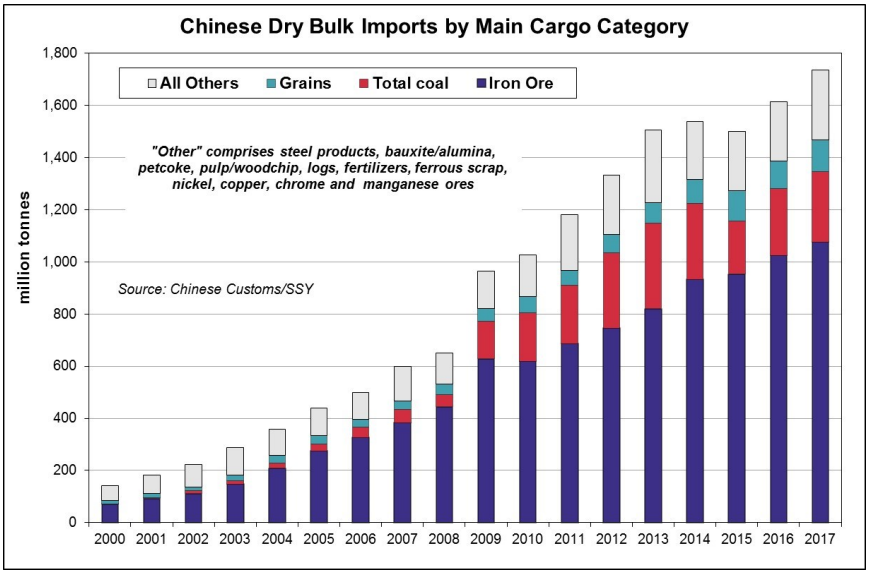
Source: Chinese Customs

Outside of China, most of the additional growth in drybulk cargo import demand during the past five years has been generated by other Asian economies. For example, and despite setbacks since 2014, Indian coal imports in 2017 were estimated to be more than 35 Mt higher than their corresponding level in 2012, reflecting the strength of demand from electricity generators and the cement and steel industries. Although India has added several Capesize coal import terminals in recent years, a majority of the coal cargoes arriving in the country are shipped by Supramax, Panamax and Kamsarmax vessels. More established Asian import markets, such as Japan and South Korea, have also contributed to the region's import growth with their combined imports of coal and iron ore increasing by 34 Mt between 2012 and 2017.

In contrast, European mineral imports have staged only a partial recovery from their cyclical lows in 2009 and have remained below their 2007 totals, partly due to slow economic growth in the Eurozone, but also policy driven changes in the region's energy mix away from coal. Consequently, Far East Asia's share of world seaborne major bulk imports is estimated to have climbed above 78% from approximately 60% in the middle of the last decade and 53% to 54% in 2000.

As a result, the fastest drybulk trade growth has been seen within the Pacific Basin, which has been supplemented by increases in front-haul trade from the Atlantic to the Pacific (chiefly iron ore on Capesize vessels and grains on Panamaxes and Supramaxes).





Drybulk Global Fleet

The cargoes outlined above are predominantly carried by drybulk carriers of more than 10,000 dwt. Drybulk carriers are single-decked ships that transport dry cargoes in “bulk” form, that is loose within cargo holds, rather than in bags, crates or on pallets.

As of the end of December 2017, the total fleet of 10,000+ dwt drybulk carriers numbered approximately 10,688 vessels of 807.2 million deadweight tonnes, or Mdwt.

This fleet is divided into four principal size segments: Handysize (10,000-39,999 dwt), Handymax (40,000-64,999 dwt), Panamax (65,000-99,999 dwt) and Capesize (100,000+dwt). Aside from size, the main distinction between drybulk vessel types is whether they are geared (that is, equipped with cranes for loading/discharge) or gearless. The main characteristics of these four vessel types are summarized below, while the table below summarizes the current structure of the fleet by age and size. It shows that in terms of deadweight capacity, the Capesize sector is the largest with 40.2% of the end-of-December 2017 total, followed by Panamaxes at 25.0%, Handymaxes at 23.7% and Handysizes at 11.2%.

Handysize (10,000-39,999 dwt): These ships carry the widest range of cargoes of any drybulk size segment and are the most dependent on the minor bulks for employment. They are usually equipped with cargo-handling gear (cranes or derricks) and are widely used on routes to and from draft-restricted ports that (a) cannot receive larger ships and (b) often lack their own land-based cargo-handling equipment. Many such loading or discharge facilities are located in the developing nations. Due to the limited economies of scale that these vessels offer, compared to larger tonnage vessels, many of these ships are extensively employed on intra-regional, shorter-haul trades. Special designs of ship are associated with the carriage of such cargoes as steel products and logs, or open-hatch and log-fitted vessels; while some variants also exist in terms of cargo-handling equipment, such as grab-fitted tonnage possessing scoops that facilitate unloading of certain cargo types.

Handymax (40,000-64,999 dwt): This segment of the drybulk carrier fleet contains three distinct sub-categories - the traditional Handymax size (40,000-49,999 dwt), the Supramax size (50,000-59,999 dwt) and the Ultramax size (60,000-64,999 dwt). There are some Ultramax newbuilding designs of above 65,000 dwt, but as these are much fewer in number than existing gearless vessels of 65-69.9 kdwt, they currently fall in SSY's Panamax size range. Despite their increased size, these vessels retain a high degree of trading flexibility as their cargo gear enables them to load and/or discharge at ports with limited facilities. They are more widely deployed on longer-haul routes than are Handysizes (due to the greater scale economies that they offer). Whereas the traditional Handymax types have gained market share from the sub-40,000 dwt fleet of Handysizes over the past 20 years, the new generation of Supramax and Ultramax vessels are also competing for business on Panamax routes.

Panamax (65,000-99,999 dwt): The strict definition of a Panamax bulk carrier is a ship able to transit the Panama Canal fully laden. However, in recent years this definition has become blurred as (1) only a minority of the vessels in this size range pass through the Panama Canal in any 12-month period and (2) the opening of an additional trade lane with a new set of locks in mid-2016 expanded the Panama Canal's dimensions to enable the transit of ships of maximum beam, or extreme vessel breadth, of 49 meters, maximum length overall, or LOA, of 366 meters and maximum draft of 15.2 meters tropical fresh water, or TFW. This compares with the pre-existing, and still operational, locks which can accommodate ships to a maximum of 32.3 meters beam, 294.1 meters LOA and 12 meters TFW draft. For these reasons SSY's fleet definition stretches from 65,000 to 99,999 dwt, encompassing three main sub-types: traditional Panamaxes (70,000-79,999 dwt), Kamsarmaxes (82,000-83,000 dwt, which prior to the enlargement were the largest bulk carrier to transit the Panama Canal fully laden) and post-Panamaxes (85,000-99,999 dwt). The base load demand for these vessel types is provided by coal and grain cargoes, although they also participate in a number of other trades (including iron ore, bauxite and fertilizers). Only a small minority of vessels in this size range are equipped with cargo gear as most of the ports served have well developed cargo loading or discharge terminals.

Capesize (100,000+ dwt): These ships are almost exclusively deployed in the iron ore and coal trades, which benefit most from their scale economies, but over the past two years have also participated in the bauxite trades from West Africa. There are three main sub-types: small Capes (100,000-119,999 dwt), standard Capes (160,000-209,999 dwt, which are mainly concentrated between 170,000 dwt and 180,000 dwt, but also include Newcastlemaxes of 200,000-209,999 dwt) and Very Large Ore Carriers (220,000 dwt and above). In recent years the average size of these Very Large Ore Carriers has been increasing, through the serial ordering of 400,000 dwt and 325,000 dwt designs.

Drybulk Carrier Fleet by Size/Age (Million Dwt):
As of December 31, 2017

Built/Dwt	***10-39,999***	***40-64,999***	***65-99,999***	***100,000+***	***Total***
Pre-1993	4.5	3.6	2.5	4.2	14.8
1993-97	6.5	9.6	8.4	15.5	40.0
1998-02	7.3	14.2	22.7	13.9	58.1
2003-07	8.9	23.2	30.0	42.3	104.3
2008-12	37.6	77.0	76.4	155.7	346.6
2013-17	25.4	63.4	61.7	92.8	243.3
Total Fleet	**90.2**	**191.0**	**201.6**	**324.3**	**807.2**
Average Age	**10 Yrs**	**8 Yrs**	**8 Yrs**	**7 Yrs**	**8 Yrs**

Totals may not add due to rounding

Ownership

Unlike other specialist areas of the world shipping fleet, ownership in the drybulk segment is highly fragmented, with SSY's database showing approximately 2,000 different owners. The largest 50 owners account for approximately 34% of the fleet in terms of deadweight carrying capacity, but this includes a large number of Chinese-flagged vessels that will trade on domestic as well as international routes.

While such analysis will tend to understate levels of market concentration, due to the operation of vessel pools and chartered in fleets, the drybulk segment is sufficiently competitive to ensure that vessel spot market earnings are extremely responsive to fluctuations in the supply/demand balance globally and regionally.

Supply of Drybulk Shipping

The supply of drybulk carriers is fundamentally determined by the delivery of new vessels from the world's shipbuilding industry and the removal of older vessels, mainly through demolition.

Newbuilding deliveries not only reflect the demand from ship owners for new tonnage, but also available shipyard capacity. Following a sharp upswing in demand for new vessels in all of the main sectors of the commercial shipping industry during the last decade, and an accompanying rise in shipbuilding prices to record levels in 2007 to 2008, there was a massive China-led expansion in world shipbuilding capacity. In the case of the drybulk sector, annual newbuilding deliveries surged from 24.4 Mdwt in 2008 (and an average of 19.1 Mdwt per annum. between 2000 and 2007, inclusive) to 44.3 Mdwt in 2009, 79.7 Mdwt in 2010 and a peak of 100.0 Mdwt in 2012.

The resulting impact on freight market balances and vessel earnings, as described elsewhere in this section, led to sharply-reduced levels of drybulk carrier ordering in 2011 and 2012, which led to a slower pace of newbuilding deliveries in 2013 at an estimated 61.6 Mdwt followed by a further slowdown to 47.7 Mdwt in 2014.

There was an increase in drybulk carrier newbuilding investments during 2013, which continued into 2014 and reversed the downward trend in the newbuilding orderbook. These orders were focused on new, more fuel-efficient ship designs, for which shipyard descriptions offer significantly lower fuel consumption compared with existing vessels through a combination of new technology main engines and refinements of hull forms.

The rising costs of bunker fuels between 2004 and 2012 are illustrated in the chart below, which is based on the 58,238 dwt Supramax vessel specifications used by the Baltic Exchange in constructing its daily Supramax Index. Using estimated bunker prices in Singapore, SSY's calculations assume that at a speed of 14.0 knots the vessel consumes 33 tonnes of 380 centiStokes, or cst, fuel oil per day laden and 32 tonnes per day in ballast. This shows an increase at sea, at full speed, from approximately $5,600 per day in 2004 to approximately $21,700 per day in 2012. Reflecting the general decline in world oil prices, annual average bunker fuel costs for SSY's Supramax example fell from approximately $18,200 per day in 2014 to approximately $7,500 per day in 2016. A partial rebound in global oil prices from the lows of early 2016 lifted estimated Supramax bunkering costs to an average of approximately $10,600 per day in 2017 and by December last year daily bunkering costs had risen above $12,000 per day. However, SSY stresses that (1) there is a wide variance in individual vessel fuel consumptions, even within the same size segments, and (2) as described earlier in this section, vessels have been operating at slower speeds in order to lower their daily fuel consumption and costs.

Reflecting the increased ordering of more fuel-efficient vessels, there was a small net rise in drybulk carrier newbuilding deliveries in 2015 to 48.7 Mdwt, but the downward trend resumed in 2016 and the annual newbuilding delivery total in 2017 of 38.3 Mdwt was the lowest since 2008.

After a sharp reduction in new drybulk carrier ordering in 2015 and 2016, in response to the deterioration in freight market conditions, there was some revival in the contracting of new vessels in 2017 as vessel earnings firmed. At an estimated 81.7 Mdwt, the total tonnage on order at the end of December 2017 represented approximately 10.1% of the existing fleet, compared with 9.8% at the end of December 2016. The latter was the lowest end-year share since 2002 and compared with an estimated 15.7% as of the end of 2015 and year-end highs of 56.1% in 2007, 57.3% in 2009 and 67.6% in 2008, as illustrated in the chart below.

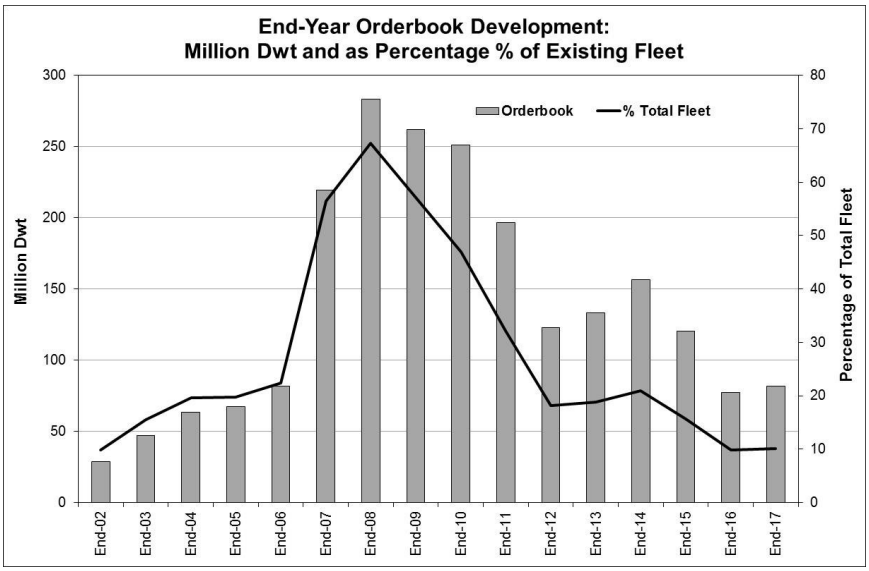
The table below summarizes the confirmed drybulk carrier orderbook as of the end of December 2017, by vessel size and scheduled year of delivery. These delivery dates can be subject to delay with, for example, 2017 deliveries an estimated 28%

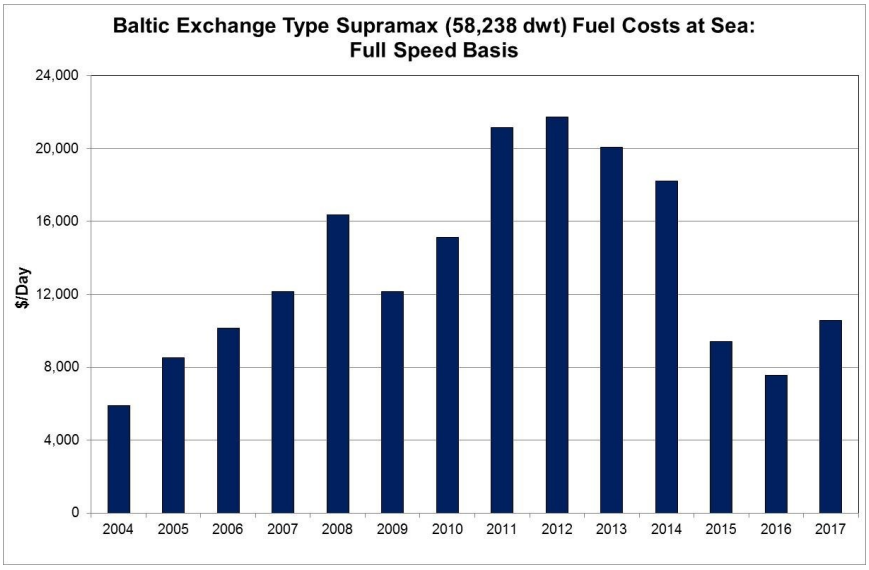
below the scheduled total as of January 1, 2017. This compared with a corresponding average rate of slippage from scheduled delivery dates in the previous five years of approximately 35.2%.

Drybulk Carrier Newbuilding Orderbook by Size Range (Million Dwt): **As of December 31, 2017**

Delivery	***10-39,999***	***40-64,999***	***65-99,999***	***100,000+***	***Total***
2018	3.6	6.8	7.5	15.2	33.1
2019	1.9	3.3	6.2	17.5	28.8
2020	0.5	0.9	3.4	7.7	12.5
2021+	0	0	0.2	7.1	7.3
Total	**6.0**	**11.0**	**17.2**	**47.5**	**81.7**
% of Fleet	***6.6%***	***5.8%***	**8.5%**	**14.6%**	**10.1%**

Totals may not add due to rounding





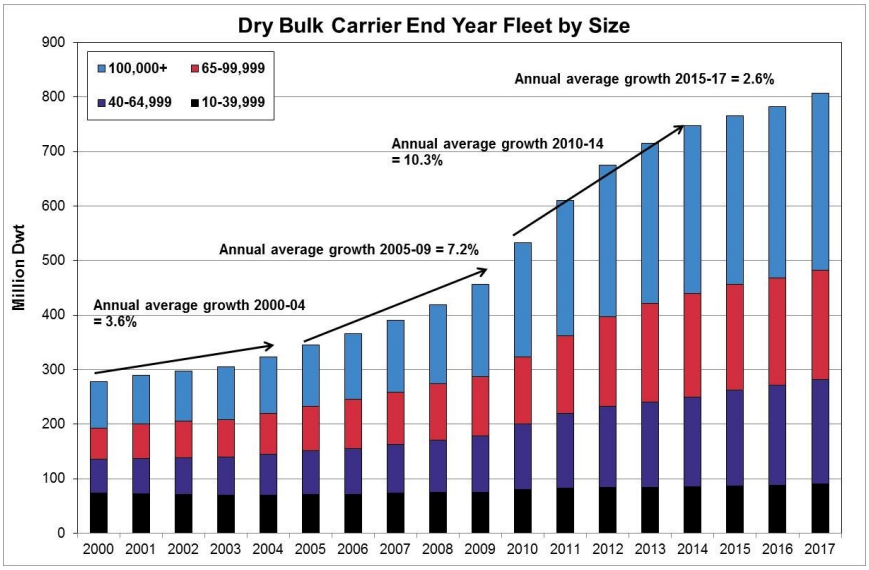
Typically drybulk carriers are scrapped between the ages of 25 and 30 years, but the removal of vessels of 20-24 years is common during periods of freight market weakness, and there have also been examples of scrapping of 15-19 year-old vessels (especially in the larger-sized vessels). In 2017, the average age of Handysize vessels scrapped was 30 years, whereas for Handymax, Panamax and Capesize vessels it was 22 years. However, demolition is not simply a function of the fleet's age profile. Several factors will influence an owner's decision on whether to scrap older vessels, notably (1) actual and anticipated returns from the charter market, (2) the relative running costs of the vessel, (3) prospective expenditure at classification society surveys (which, as well as general costs of repair and maintenance can be impacted by new regulations, such as the International Maritime Organization's convention on Ballast Water Management, where effective implementation for existing vessels is now scheduled to enter force in September 2019) and (4) the second-hand re-sale value (that is, whether it provides a premium to scrap). For much of the period from 2000 to 2009, returns from the drybulk charter markets supported continued investment in vessel life extension, and scrapping volumes fell to minimal levels. This, however, ensured an accumulation of older tonnage in the fleet and, as a result, demolition proved extremely responsive to a deterioration in freight market conditions. For instance, deletions from the drybulk fleet rose from 3.6 Mdwt in 2008 to 14.7 Mdwt in 2009 and reached a new annual record of 35.4 Mdwt in 2012. Over the last five years, scrapping volumes have remained very reactive to changes in vessel earnings with, for example, deletions dropping to a 7-year low of 14.0 Mdwt in 2017 from approximately 30.0 Mdwt per annum in both 2015 and 2016.

As the chart below illustrates, historically high levels of ship demolition contributed to a marked slowdown in the rate of drybulk carrier net fleet growth in 2015 and 2016 with the estimated 2.3% rise in 2016 representing the lowest annual percentage increase since the 1990s. There was some re-acceleration in fleet supply growth in 2017 with an estimated net rise in total drybulk tonnage of 3.1% between January 1 and December 31. However, this remained well below the rapid rates of expansion over the five year period from 2009 to 2013 when the total drybulk fleet grew at an annual average of 11.3% per annum.

Demolition has also contributed to the uneven development of drybulk carrier fleet supply over the past five years. In particular, the removal of elderly Handysize vessels, combined with the relatively modest newbuilding program in this sector compared with the other sizes, ensured that the 10,000-39,999 dwt Handysize fleet grew at an estimated CAGR of 1.3% between 2012 and 2017, compared with 5.2% for 40,000-64,999 dwt Handymaxes, 4.2% for 65,000-99,999 dwt Panamaxes and 3.1% for 100,000+ dwt Capes. Since the end of 2012, the Handysize sector's share of total dwt capacity has fallen from an estimated 12.5% to 11.2% as of the end of December 2017. By contrast, the same period saw an increased share of the fleet accounted for by 40,000-64,999 dwt Handymaxes, rising from 22.0% to 23.7%, and 65,000-99,999 dwt Panamaxes, from 24.3% to 25.0%, while the 100,000+ dwt Capesize sector recorded a net decline, from 41.2% to 40.2%.

Despite the demolition of recent years, there remained approximately 14.8 Mdwt of ships aged 25 years or older in the drybulk carrier fleet as of the end of December 2017, with an additional 40.0 Mdwt aged 20 to 24 years and 58.1 Mdwt aged 15

to 19 years. The highest concentration of vessels 20+ years old was in the Handysize sector, accounting for 12.2% of dwt capacity in this size range as of the end of December 2017, compared with 6.9% of Handymaxes, 5.4% of Panamaxes and 6.1% of Capesizes.



Charter Market & Freight Rates

The chartering of drybulk vessels can take several different forms, the most typical of which are summarized below.

(a) *Single voyage ("spot") charter*
This involves the hire of a vessel for just one stipulated voyage, carrying a designated quantity of a named commodity. For most such charters, an individual ship is specified that will carry out the voyage to be undertaken. The terms of the agreement between the charterer and vessel owner usually define the port (or ports) of cargo loading and discharge, the dates between which the cargo is to be loaded, and the cargo-handling terms. The vessel owner will receive from the charterer a mutually agreed-upon payment (normally quoted as a US$ per ton freight rate). In return, the ship owner pays all voyage expenses (such as the costs of fuel consumed on the voyage, plus port expenses), all operating costs (such as insurance and crewing of the vessel), and capital expenses (such as the servicing of any mortgage debt on the ship).

(b) *Contract of affreightment, or COA*
Under a COA, the vessel owner and charterer agree to terms for the carriage of a designated volume of a given commodity on a specified route (or routes), with such shipments being carried out on a regular basis. The agreement does not normally identify an individual ship that will be used to fulfill its terms, but includes more general specifications on the vessels to be used (such as maximum age). Under the terms of a COA, freight is normally paid on a mutually agreed-upon US$ per ton basis, with the vessel owner then meeting all voyage, operating and capital costs incurred in the execution of such a charter.

(c) *Time charter*
Under a time charter, the charterer takes the ship on hire for either (1) a trip between designated delivery and re-delivery positions or (2) for a designated period (for example, 12 months). The freight rate agreed upon between the ship owner and charterer is in terms of a daily hire rate (in US dollars), rather than as a US$ per ton figure. For longer term period charters, this may escalate at a rate mutually agreed upon between vessel owner and charterer. Under the terms of such charters, the vessel owner meets the ship's operating and capital costs, with the charterer paying all variable voyage expenses (mainly fuel costs, plus port and canal dues). In addition, and unless otherwise stipulated in the charter agreement, the period charterer is able to trade the vessel to and from whichever loading and discharge ports that it may choose, carrying whichever cargoes they prefer.

(d) *Bareboat charter*

Under a bareboat charter, the vessel owner effectively relinquishes control of its ship to the charterer (usually for a period of several years). The ship owner receives an agreed-upon level of remuneration (which may again escalate at a mutually agreed-upon rate) for the duration of the charter, and remains responsible for the vessel's capital costs. In return, the charterer assumes total control of the vessel, thereby becoming responsible for operating the ship and meeting all costs of such operation (such as crewing, repairs and maintenance), as well as the direct voyage expenses incurred (such as fuel costs and port expenses) when it is trading.

Freight Rates

Freight rates are determined by the balance of tonnage demand and tonnage supply. Primarily as the result of record newbuilding deliveries, fleet utilization rates have dropped sharply from the peak levels of 2007, as illustrated by movements in key freight market indicators.

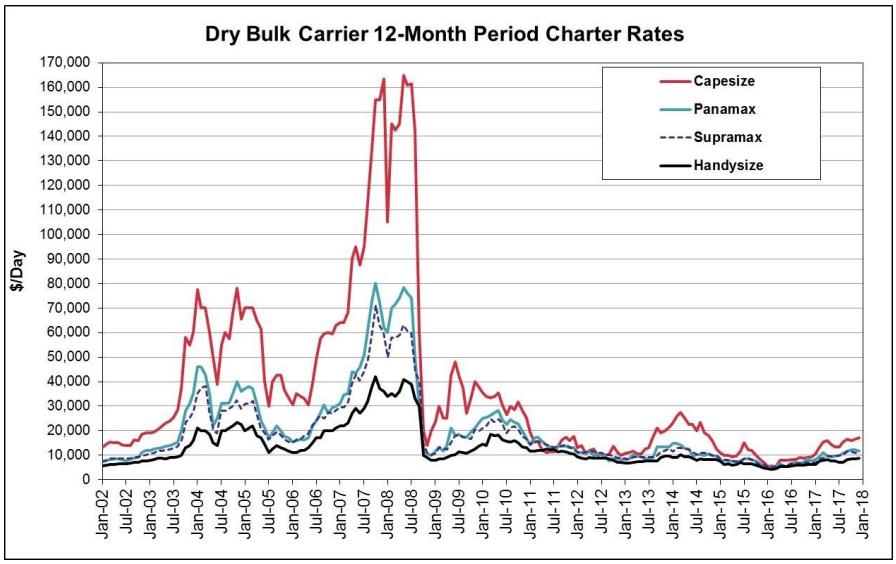
Given the diversity of routes and cargoes traded by the drybulk fleet, freight market measures tend to focus on average worldwide spot earnings (expressed in US$ per day). The most recognized of these measures are published on a daily basis by the Baltic Exchange in London. In addition to global averages for standard designs of Handysize (28,000 dwt), Supramax (58,328 dwt), Panamax (74,000 dwt) and Capesize (180,000 dwt) vessels, together with a number of component routes, the Baltic Exchange also publishes a daily composite Index for the entire drybulk market (the BDI or Baltic Exchange Dry Index).

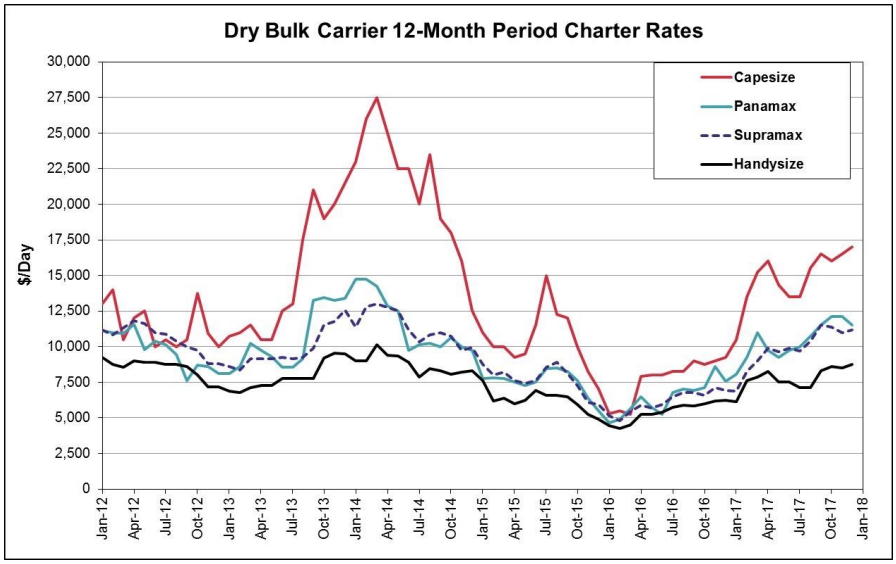
From its all-time high of almost 12,000 points in May 2008, just prior to the global financial crisis, the BDI fell to below 700 points in December of the same year. After partial recovery in 2009, negative pressure on freight markets returned under the weight of sustained fleet supply growth. At 920 points in 2012, the BDI's annual average was a 26-year low. A combination of sharply reduced fleet supply, generally slower vessel speeds and new peaks for dry bulk trade lifted the 2013 annual average of the BDI to 1,206 points. Yet, despite continued spot market volatility, the corresponding 2014 level slipped to 1,105 points and spot market weakness intensified in 2015, chiefly due to a sharp slowdown in drybulk trade growth, with the BDI's annual average falling to 718 points. This was followed by new daily (290 points) and monthly (307 points) lows in February 2016, when weak global steel production, disruptions to cargo availability and lower bunker prices, together with negative seasonal factors, all contributed to the further weakening in the freight market.

From these record lows, the BDI did rebound to an average of 994 points in the fourth quarter of 2016, but this could not prevent 2016 from recording the BDI's lowest annual average since its inception in 1985 at 673 points. However, 2017 did see the first rise in the BDI's annual average for four years, to 1,145 points, and at 1,509 points the fourth quarter average was the highest quarterly average since the fourth quarter of 2013. Volatility remained a feature of drybulk spot markets in 2017 with the BDI fluctuating between a low of 685 points and a high of 1,743 points.

The first of the charts below traces developments in representative 12-month charter rates for the four main vessel sizes from January 2002 to the end of December 2017, encompassing the all-time highs in vessel earnings and the subsequent slump in rates. The second chart looks in more detail at developments since the beginning of 2012. It shows the Capesize-led rebound from mid-2013 to the first quarter of 2014 and subsequent slide to the depressed levels in the first quarter of 2016 before a partial revival during the second half of 2016 and the further increases observed in 2017, which saw period rates rise to their highest levels since 2014. These assessments are based on existing modern (that is, under 10 years of age) vessels. Within these individual size ranges, period rates will vary according to such factors as vessel age, size, fuel consumption and yard of build.

Although both charts show the extent to which vessel earnings in the different size ranges move broadly in tandem, they also highlight that the sharpness of market rises and falls vary in degree. Those size groups that carry the narrowest range of cargoes, or those employed on the least number of routes, tend to experience the greatest variations in charter rates. Hence, in the drybulk shipping sector, earnings of Capesizes have been prone to fluctuate to a far greater degree than those of smaller vessels (with their greater trading versatility, assisted by the cargo gear on these vessel types).





Asset Values

In addition to the global balance between the demand for new vessels and available shipbuilding capacity, newbuilding prices are also influenced by changes in vessel construction costs, due to such factors as movements in steel plate prices or exchange rates against the U.S. dollar in key shipbuilding nations (principally China, Japan and South Korea).

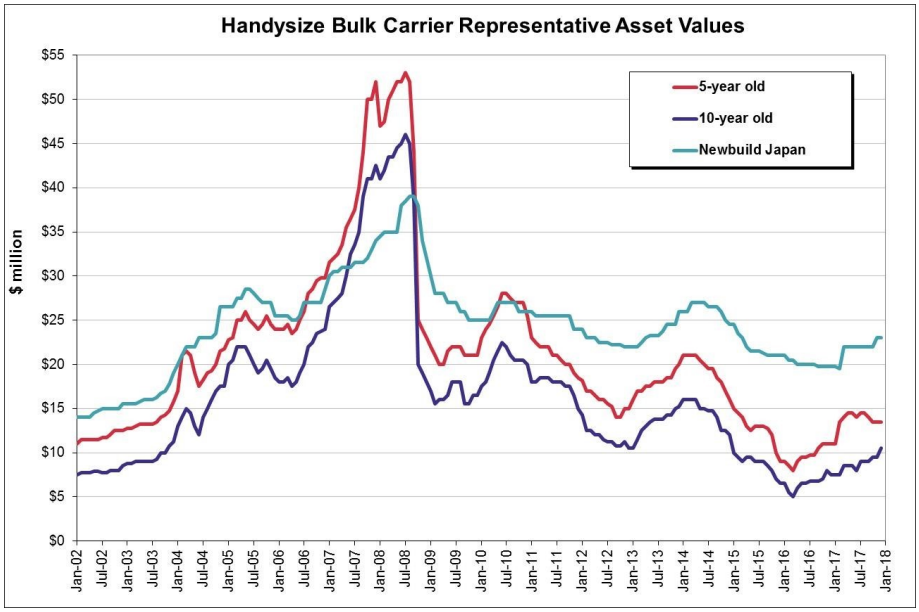
Panamax bulk carrier newbuilding prices in Japan peaked at $56.0 million in the third quarter of 2008 and subsequently fell to $29.0 million in the final quarter of 2012. By the end of 2013 Japanese prices had climbed to a 38-month high of $35.0 million, chiefly as the result of recovering newbuilding demand, and remained at similar levels through much of 2014. However, prices entered a downward trend in 2015 which continued into 2016 and, by the final quarter of last year, Japanese Panamax

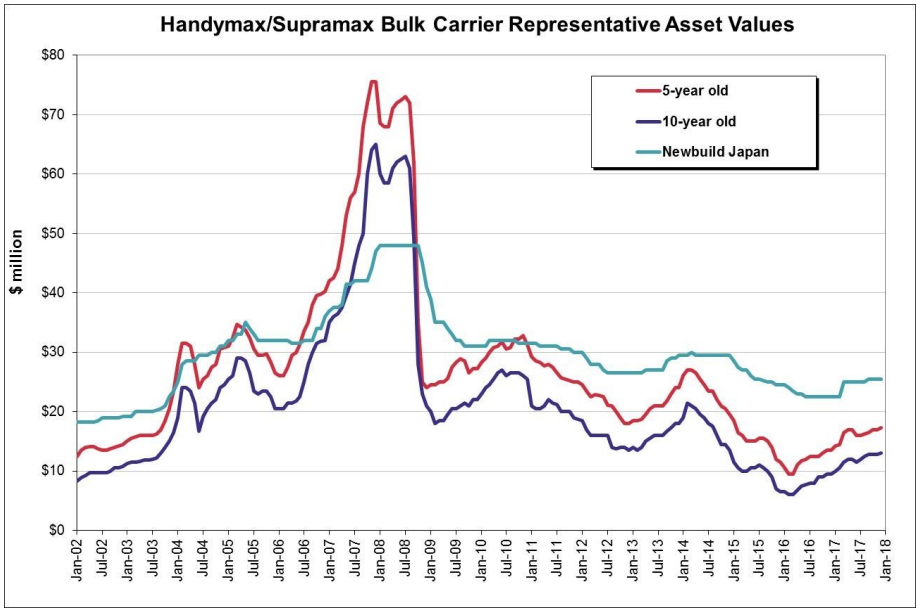
newbuilding prices reached their lowest level since 2003 at an estimated $23.5 million. During 2017 there was a partial rebound in Japanese prices to an estimated $26.5 million at the end of December 2017.

Second-hand values are primarily shaped by actual and anticipated earnings, newbuilding replacement costs (which are relevant for modern vessels) and residual scrap value (more relevant for older units). To an extent, prices are also influenced by the availability and cost of ship financing, as this will help to determine whether investors are able to realize their demand for new or second-hand vessels.

The charts below compare the development of representative newbuilding, five-year old and ten-year old second-hand prices for Handysize, Handymax, Panamax and Capesize vessels since 2002. Individual vessel prices vary according to such factors as specific size, age, cargo gear, yard of build and fuel consumption. Following the pattern of the charter markets, prices peaked between mid-2007 and mid-2008. Such was the shortage of shipbuilding capacity during that period, with a lengthening lead time between contracting and delivery, that demand for existing vessels with prompt delivery briefly created the unusual situation where second-hand vessels were priced at a premium to newbuildings.

Consequently, the percentage decline in second-hand prices between 2008 and 2012 was more severe than for newbuildings. Prices showed a firmer trend from the beginning of 2013 to March 2014, when five-year old values rose by an average of approximately 50%, led by a 60-70% increase in Capesize prices. The onset of generally weaker spot and period charter rates began to erode second-hand values during the latter months of 2014, and downward pressure intensified during 2015 and into 2016, sharply reducing prices. By the end of February 2016, Panamax five-year old prices of approximately $11.0 million were at their lowest since the 1980s. However, from these lows, second-hand prices have shown a significant improvement, with Panamax five-year old values reaching approximately $14.0 million at the end of 2016 and approximately $20.5 million in December 2017. There were similar percentage rises in Supramax five-year old prices over the same period, while Capesize and Handysize values are estimated to have shown smaller, but still substantial, percentage increases.




Handymax/Supramax Bulk Carrier Representative Asset Values
$ million
$80
$70
$60
$50
$40
$30
$20
$10
$0
5-year old
10-year old
Newbuild Japan
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
Jan-05
Jul-05
Jan-06
Jul-06
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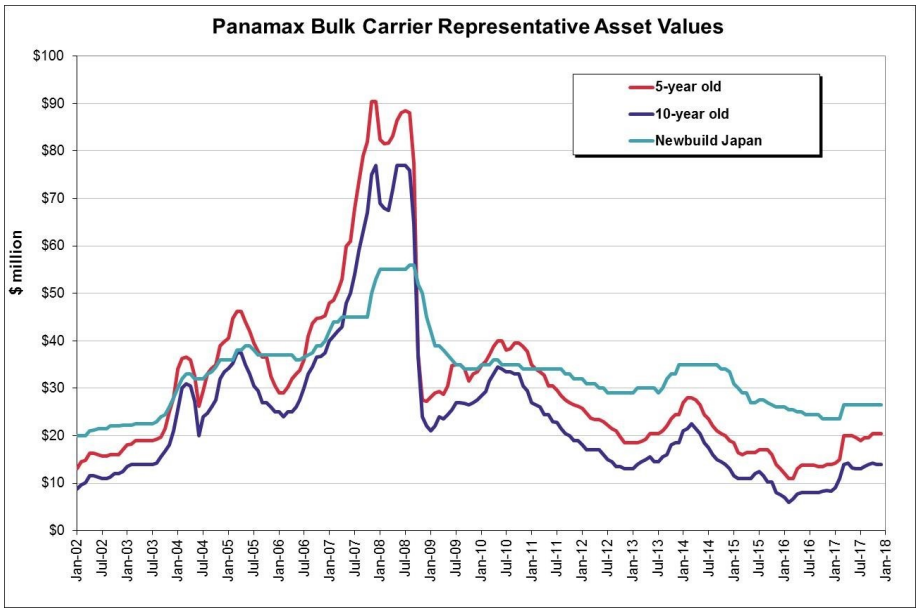
Panamax Bulk Carrier Representative Asset Values
$ million
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
5-year old
10-year old
Newbuild Japan
Jan-02
Jul-02
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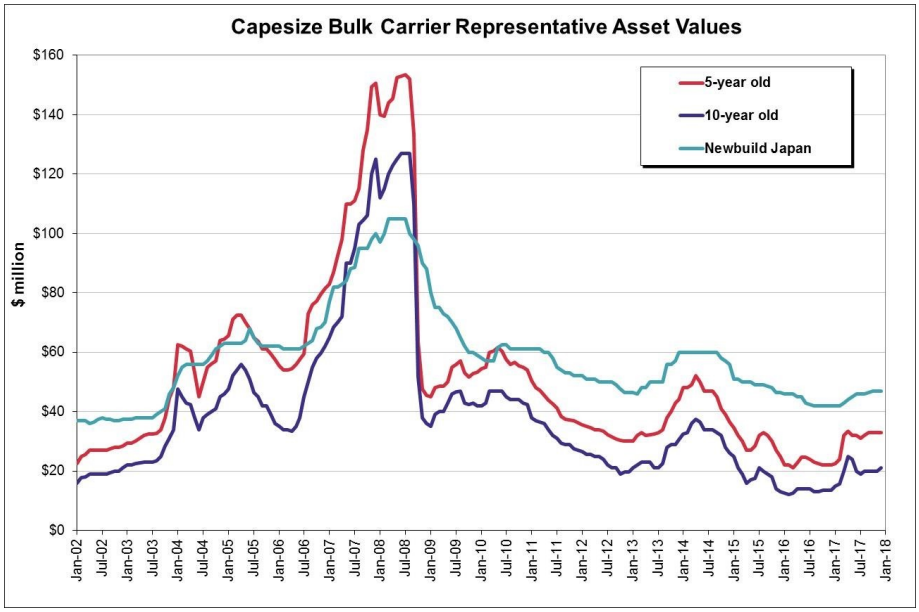


Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our fleet. We are subject to international conventions and treaties and national, state and local laws and regulations relating to safety and health and environmental protection in force in the countries in which our vessels may operate or are registered. These regulations include requirements relating to 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 may entail significant expense, including vessel modifications and implementation of certain operating procedures.

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

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental regulations 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 will be in compliance with applicable environmental laws and regulations and that our vessels will have all material permits licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations 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, such as the 2010 BP plc *Deepwater Horizon* oil spill in the Gulf of Mexico, could result in additional legislation or regulations 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 ships, or the IMO, has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by

the related Protocol of 1978 and updated through various amendments, which we refer to collectively as MARPOL. MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate.

MARPOL is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, which was separately adopted by the IMO, relates to air pollution by ship emissions, including greenhouse gases.

In 2012, the IMO's Marine Environment Protection Committee, or MEPC, adopted by resolution amendments to the international code for the construction and equipment of ships carrying dangerous chemicals in bulk, or the IBC Code. The provisions of the IBC Code are mandatory under MARPOL and SOLAS. These amendments pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code. We may need to make certain financial expenditures to comply with these amendments.

In 2013 the MEPC adopted by resolution amendments to the MARPOL Annex I Condition Assessment Scheme, CAS. These amendments pertain to revising references to the survey of bulk carriers and tankers after the 2011 ESP Code, which enhances the programs of inspections, becomes mandatory. We may need to make certain financial expenditures to comply with these amendments.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, Annex VI set limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, PCBs) are also prohibited.

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, MEPC 70, MEPC announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from the current 3.5% to 0.5% as of the beginning of 2020. By 2020 ships will now have to either reduce sulfur from emissions through the installation and use of emission scrubbers or buy fuel with lower sulfur content. Consequently, complying with MEPC 70 could result in a significant capital expenditure or a significant increase in the cost of bunkers. The Company is currently reviewing alternatives to comply with MEPC 70 when it enters into force.

Sulfur content standards are even stricter within certain Emission Control Areas or ECAs. As of January 1, 2015, ships operating within an ECA may not use fuel with sulfur content in excess of 0.10%, which may cause additional costs to incur. Amended Annex VI established procedures for designating new ECAs. The Baltic and North Seas, certain coastal areas of North America and the United States Caribbean Sea are all within designated ECAs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency, or the EPA, or the states where we operate, compliance with these regulations could entail significant capital expenditures, operational changes, or otherwise increase the costs of our operations.

At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxides, effective January 1, 2021. It is expected that these areas will be formally designated after the draft amendments are presented at MEPC's next session. The EPA promulgated equivalent (and in some sense stricter) emissions standards in late 2009. 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 North American and U.S. Caribbean Sea ECAs designed for the control of NOx with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. We cannot assure you that the jurisdictions in which the vessels we may acquire may operate will not adopt more stringent emissions standards independent of the IMO.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.This included the requirement that all new ships utilize the Energy Efficiency Design Index, or EEDI, and all ships develop and implement Ship Energy Management Plans, or SEEMPs.

We believe that all our vessels will be compliant in all material respects with these regulations. 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.

Ballast Water Management

The IMO adopted the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. All ships will also have to carry a ballast water record book and an International Ballast Water Management Certificate. The BWM Convention entered into force on September 8, 2017. As of mid-December 2017, 67 countries, representing 74.9% of world tonnage, have ratified the BWM Convention.

Many of the implementation dates in the BWM Convention have already passed, so now that the BWM Convention has entered into force, the period of installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems, or BWMS. For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels constructed before the entry into force date "existing vessels" and allows for the installation of a BWMS on such vessels at the first International Oil Pollution Prevention renewal survey following entry into force of the convention. At MEPC 70, MEPC adopted updated "guidelines for approval of ballast water managements systems (G8)." AT MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date after which existing vessels are subject to certain ballast water standards.

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

Safety Management System Requirements

The IMO has also adopted SOLAS and the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL Convention standards. The Convention on Limitation of Liability for Maritime Claims, LLMC, was recently amended effective June 8, 2015. The amendments alter the limits of liability for loss of life or personal injury claims and property claims against ship owners. We believe that all our vessels will be in substantial compliance with SOLAS and LL Convention standards.

Our operations are also subject to environmental standards and requirements under Chapter IX of SOLAS set forth in the ISM Code. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical manager have developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

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 under the ISM Code unless its manager has been awarded a document of compliance, issued by classification societies under the authority of each flag state. SSM has or will obtain documents of compliance for their offices and will obtain 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 every five years, but the document of compliance is subject to audit verification annually and the safety management certificate at least every 2.5 years.

The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for implementing and enforcing a broad range of international maritime regulations with respect to all ships granted the right to fly its flag. The "Shipping Industry Flag State Performance Table" published annually by the International Chamber of Shipping evaluates and reports on flag states based on factors such as ratification, implementation, and enforcement of principal international maritime

treaties and regulations, supervision of statutory ship surveys, and participation at IMO and ILO meetings. All of our vessels are or will be flagged in the Marshall Islands or Liberia. Marshall Islands and Liberian flagged vessels have historically received a good assessment in the shipping industry. We recognize the importance of a credible flag state and do not use flag states with poor performance indicators. Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. Each of our vessels will be ISM Code certified. However, there can be no assurance that such certificate will be maintained.

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

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

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of the signatory to such conventions. Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocol in 1976, 1984, and 1992, and amended in 2000, or the CLC. Under this convention, and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The right to limit liability is forfeited under the CLC where the spill is caused by the ship owner's actual fault and under the 1992 Protocol where the spill is caused by the ship owner's intentional or reckless act or omission where the ship owner knew pollution damage would probably result. The CLC requires ships 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 believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

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

IMO regulations also require owners and operators of vessels to adopt shipboard oil pollution emergency plans and/or shipboard marine pollution emergency plans for noxious liquid substances in accordance with the guidelines developed by the IMO.

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 may have on our operations.

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

The U.S. Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil except in limited circumstances, whether on land or at sea. United States regulations require owners and operators of vessels to adopt and implement a United States specific Vessel Response Plan (VRP) to manage emergency situations, including oil spills, should they occur in United States ports. 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. OPA applies to oil tankers (which are not operated by us), as well as non-tanker ships that carry fuel oil, or bunkers, to power such ships. CERCLA also applies to our operations.

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of $1,100 per gross ton or $939,800 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the 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 damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of $300 per gross ton or $5 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

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

We currently maintain pollution liability coverage insurance in the amount of $1.0 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 operations.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional legislative or regulatory initiatives, including the raising of liability caps under OPA or more stringent operational requirements. For example, the U.S. Bureau of Safety and Economic Enforcement, or BSEE, issued final drilling safety rules for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices, and proposed rules to revise existing federal regulations regarding oil and gas production safety systems to address technological advances. A new rule issued by the U.S. Bureau of Ocean Energy Management, or BOEM, that increased the limits of liability of damages for offshore facilities under OPA based on inflation took effect in January 2015. In December 2015, the BSEE announced a new pilot inspection

program for offshore facilities. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulations applicable to the operation of the vessels we may acquire that may be implemented in the future could adversely affect our business. If the damages from a catastrophic spill were to exceed our insurance coverage it could have an adverse effect on our business and results of operation.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA, and some states have enacted legislation providing for unlimited liability for oil spills. Furthermore, many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. Yet, in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. We cannot predict what additional requirements, if any, may be enacted and what effect, if any, such requirements may have on our operations.

Other Environmental Initiatives

The CWA prohibits the discharge of oil or other substances in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. The EPA and USCG have 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 regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit, or VGP, that authorizes ballast water discharges and other discharges incidental to the operation of vessels. For a new vessel delivered to an owner or operator to be covered by the VGP, the owner must submit a Notice of Intent, or NOI, at least 30 days before the vessel operates in U.S. waters. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, record keeping and reporting requirements to ensure the effluent limits are met. The VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters and stringent requirements for exhaust gas scrubbers and requires the use of environmentally acceptable lubricants. In October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remains in effect until the EPA issues a new VGP.

The USCG, regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the USCG adopted revised ballast water management regulations that established standards for allowable concentrations of living organisms in ballast water discharged from ships in U.S. waters. The USCG must approve any technology before it is placed on a vessel.

As of January 1, 2014, vessels are technically subject to the phasing-in of these standards. As a result, the USCG has granted extensions to vessels which cannot install the as-yet unapproved technology. The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers. In addition, through the CWA certification provisions that allow U.S. states to place additional conditions on use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast water requirements including, in some states, specific treatment standards. Compliance with these USCG and state regulations could have an adverse impact on the commercial operation of our vessels.

USCG has set up requirements for ships constructed before December 1, 2013 with ballast tanks trading with exclusive economic zones of the U.S. to install water ballast treatment systems as follows: (1) ballast capacity 1,500-5,000m3-first scheduled drydock after January 1, 2014; and (2) ballast capacity above 5,000m3-first scheduled drydock after January 1, 2016. All our vessels have ballast capacities over 5,000m3, and those of our vessels trading in the U.S. will have to install water ballast treatment plants at their first drydock after January 1, 2016.

Compliance with the EPA and the USCG regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters. While we believe that our vessels have been fitted with systems that will comply with the standards, those systems may not be approved. If they are not approved it could

have an adverse material impact on our business, financial condition, and results of operations depending on the available ballast water treatment systems and the extent to which existing vessels must be modified to accommodate such systems. In addition, certain states have enacted more stringent discharge standards as conditions to their required certification of the VGP. It presently remains unclear how the ballast water requirements set forth by the EPA, the USCG, and IMO BWM Convention, some of which are in effect and some which are pending, will co-exist.

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990, or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA also requires states to adopt State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations which may affect our vessels.

The United States is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the President of the United States signed an executive order regarding the environment that targets the U.S. offshore energy strategy, which affects parts of the maritime industry.

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.

The European Union has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The European Union Directive 2005/EC/33 (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the European Union imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in European Union ports, lasting until 2020.

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, flag, and the number of times the ship has been detained. The European Union also adopted and then extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply.

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. International negotiations are continuing with respect to a successor to the Kyoto Protocol, which set emission reduction targets through 2012 and has been extended with new targets through 2020 pending negotiation of a new climate change treaty that would take effect in 2020. Restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Convention on Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016. The Paris Agreement does not directly limit greenhouse gas emissions from ships. On June 1, 2017, the President of the United States announced that it is withdrawing from the Paris Agreement. The timing and effect of such action has yet to be determined.

The IMO may implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. As of January 1, 2013, ships were required to comply with new MEPC mandatory requirements to address greenhouse gas emissions from ships (as discussed above). For 2020, the European Union made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels. The European Union also committed to reduce its emissions by 20% under the Kyoto Protocol’s second period, from 2013 to 2020. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at European Union ports from January 2018 collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety, has adopted regulations to limit greenhouse gas emissions from certain mobile sources and has proposed regulations to limit greenhouse gas

emissions from large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, the EPA has received petitions from the California Attorney General and environmental groups to regulate greenhouse gas emissions from ocean-going vessels. Furthermore, in the United States individual states can also enact environmental regulations. For example, California has introduced caps for greenhouse gas emission and, in the end of 2016, signaled it might take additional actions regarding climate change.

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

International Labour Organization

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 came into force on August 20, 2013. Amendments to MLC were adopted in 2014 and 2016. We are in compliance with MLC 2006.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the MTSA came into effect. To implement certain portions of the MTSA, in July 2003, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports.

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter XI-2 became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facility Security Code, or the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel's flag state. The following are among the various requirements, some of which are found in SOLAS:

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

Any vessel operating without a valid certificate may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port. Amendments to SOLAS Chapter VII, made mandatory in 2004, apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code, or IMDG Code. Starting in January 1, 2016, the IMDG Code also includes updates to the provisions for radioactive material, reflecting the latest provisions from the IAEA, new marking requirements for "overpack" and "salvage" and updates to various individual packing requirements. The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, or STCW. The STCW had a transitional period which ended on January 1, 2017 and which mandated certain requirements for security training, and certifications. 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.

The USCG regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels provided such vessels have on board a valid ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. Our managers intend to implement the various security measures addressed by MTSA, SOLAS and the ISPS Code, and we intend that our fleet will comply with applicable security requirements.

Surveys by Classification Societies

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

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

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

Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

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

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

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years. Vessels under five years of age can waive drydocking in order to increase available days and decrease capital expenditures, provided the vessel is inspected underwater.

While most vessels are drydocked every 30 to 60 months depending on the age of the vessel, underwater surveys (UWILD) are also conducted approximately every 30 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies, or the IACS. In 2012, the IACS issued draft harmonized Common Structural Rules, that align with the IMO goals standards, and were adopted in winter 2013. All our vessels will be certified as being "in class" by the American Bureau of Shipping, or ABS, and Det Norske Veritas, or DNV, major classification societies. All new and secondhand vessels that we acquire must be certified prior to their delivery

under our standard purchase contracts and memorandum of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel.

Risk of Loss and Liability Insurance

The operation of any drybulk vessel includes risks such as mechanical and structural failure, hull damage, collision, property loss, cargo loss or damage due to political circumstances in foreign countries, piracy, hostilities, labor strikes and port or canal closures. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental incidents, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States plus excessive limits or exposures to third party claims including seeking United States jurisdiction, has made liability insurance more expensive for ship owners and operators trading in the United States market.

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

Hull & Machinery and War Risks Insurance

We maintain marine hull and machinery and war risks insurance, which will include the risk of partial, actual or constructive total loss, for all of our vessels. Each of our vessels is covered up to at least fair market value with deductibles of $100,000-$150,000 per vessel per incident. We also maintain increased value coverage for most of our vessels. Under this increased value coverage, in the event of total loss of a vessel, we will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities which are not recoverable under our hull and machinery policy by reason of under insurance. Under our war risks coverage a total loss would be paid in the event a vessel were confiscated or detained by unauthorized persons.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which insure liabilities to third parties in connection with our shipping activities. This includes third-party liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Our P&I coverage will be subject to and in accordance with the rules of the P&I Association in which the vessel is entered. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs." Our coverage is limited to approximately $8.0 billion, except for pollution which is limited to $1.0 billion. If pollution liability costs are greater than $1.0 billion, the International Oil Pollution Funds, would be expected to be utilized.

Our protection and indemnity insurance coverage for pollution will be $1.0 billion per vessel per incident. The thirteen 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 provides a unique and invaluable forum for sharing information on a number of issues such as oil pollution, environmental concerns, international legislation, sanctions, place of refuge for ships under distress, carriage of particular cargo, and loss prevention programs, amongst others. The International Group also represents all clubs' members at International conventions and in connection with legislations and regulations affecting shipowners' liability and related insurance matters. Each P&I Association has capped its exposure to this pooling agreement at $8.0 billion. As a member of a P&I Association which is a member of the International Group, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We believe that we have obtained all permits, licenses and certificates currently required to permit our vessels to operate. Additional

laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

C. Organizational Structure

Scorpio Bulkers Inc. is a company incorporated under the laws of the Marshall Islands. We own our vessels through separate wholly-owned subsidiaries that are incorporated in the Marshall Islands or Cayman Islands. Please see Exhibit 8.1 to this annual report for a list of our current subsidiaries.

D. Property, Plants and Equipment

Our only material assets consist of our vessels (including our contract for the construction of a new vessel) which are owned through our separate wholly owned subsidiaries.

For a description of our fleet, see "Item 4. Information on the Company—B. Business Overview—Our Fleet."

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following presentation of management's discussion and analysis of results of operations and financial condition should be read in conjunction with our consolidated financial statements, including the notes thereto.

Overview

We are an international shipping company that owns and operates the latest generation of newbuilding drybulk carriers with fuel-efficient specifications and carrying capacities of greater than 30,000 dwt. All of our owned vessels have carrying capacities of greater than 60,000 dwt. Our vessels transport a broad range of major and minor bulk commodities, including ores, coal, grains, and fertilizers, along worldwide shipping routes, and are employed primarily in the spot market or in spot market-oriented pools of similarly sized vessels.

As of January 1, 2016, we operated in the following two segments:

- Ultramax Operations: includes vessels ranging from approximately 60,200 dwt to 64,000 dwt.
- Kamsarmax Operations: includes vessels ranging from approximately 82,000 dwt to 84,000 dwt.

Prior to January 1, 2016, we operated in three segments: Ultramax Operations, Kamsarmax Operations, and Capesize Operations. The Capesize Operations segment included vessels of approximately 180,000 dwt. We sold all of our Capesize vessels and Capesize newbuilding vessels by the end of 2015.

Certain of the corporate general and administrative and financial expenses incurred by us are not attributable to any specific segment. Accordingly, these costs are not allocated to any of our segments and are included in the results below as "Corporate."

We generate revenues by charging customers for the transportation of their drybulk cargoes using our vessels. Historically, these services generally have been provided under the following basic types of contractual relationships:

- *Commercial Pools*, whereby we participate with other shipowners to operate a large number of vessels as an integrated transportation system, which offers customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools negotiate charters primarily in the spot market but may also arrange time charter agreements. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs (described below), thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market.

- *Voyage charters*, which are charters for short intervals that are priced on current, or "spot," market rates.

- *Time charters*, which are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates.

- For all of our vessels in contractual relationships, we are responsible for crewing and other vessel operating costs for our owned vessels and the charterhire expense for vessels that we time charter-in.

The table below illustrates the primary distinctions among these different employment arrangements:

	Voyage Charter	Time Charter	Commercial Pool
Typical contract length	Single voyage	One year or more	Varies
Hire rate basis	Varies	Daily	Varies
Voyage expenses	We pay	Customer pays	Pool pays
Vessel operating costs for owned vessels	We pay	We pay	We pay
Charterhire expense for vessels chartered-in	We pay	We pay	We pay
Off-hire	Customer does not pay	Customer does not pay	Pool does not pay

As of the date of this annual report, all of our owned, finance leased and time chartered-in vessels are operating in the Scorpio Group Pools.

Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts. These include the following:

Hire rate. The basic payment from the charterer for the use of the vessel.

Vessel revenues. Vessel revenues primarily include revenues from time charters, pool revenues and voyage charters. Vessel revenues are affected by hire rates and the number of days a vessel operates. Vessel revenues are also affected by the mix of business between vessels on time charter, vessels in pools and vessels operating on voyage charter. Revenues from vessels in pools and on voyage charter are more volatile, as they are typically tied to prevailing market rates.

Voyage charters. Voyage charters or spot voyages are charters under which the customer pays a transportation charge for the movement of a specific cargo between two or more specified ports. We pay all of the voyage expenses.

Voyage expenses. Voyage expenses primarily include bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions paid by us under voyage charters, as well as brokerage commissions and miscellaneous voyage expenses that we are unable to collect under time charter and pool arrangements. These expenses are subtracted from voyage charter revenues to calculate TCE revenues.

Vessel operating costs. For our owned vessels, we are responsible for vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees.

Technical management fees are paid to SSM, which is controlled by the Lolli-Ghetti family. Pursuant to our Revised Master Agreement, SSM provides us with technical services, and we provide them with the ability to subcontract technical management of our vessels with our approval.

Charterhire. Charterhire is the amount we pay the owner for time chartered-in vessels. The amount is usually for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates. The vessel's owner is responsible for crewing and other vessel operating costs.

Drydocking. We periodically drydock each of our owned vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 30 months to 60 months. We capitalize a substantial portion of the costs incurred during drydocking and amortize those costs on a straight-line basis from the completion of a drydocking to the estimated completion of the next drydocking. We immediately

expense costs for routine repairs and maintenance performed during drydocking that do not improve or extend the useful lives of the assets. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

Depreciation. Depreciation expense typically consists of:

- charges related to the depreciation of the historical cost of our owned vessels (less an estimated residual value) over the estimated useful lives of the vessels;
- charges related to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking; and
- amortization of assets under finance lease.

Time charter equivalent (TCE) revenue or rates. We report TCE revenues, a non-GAAP financial measure, because (i) we believe it provides additional meaningful information in conjunction with voyage revenues and voyage expenses, the most directly comparable U.S.-GAAP measure, (ii) it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance, (iii) it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods, and (iv) we believe that it presents useful information to investors. TCE revenue is vessel revenue less voyage expenses, including bunkers and port charges. The TCE rate achieved on a given voyage is expressed in U.S. dollars/day and is generally calculated by taking TCE revenue and dividing that figure by the number of revenue days in the period. For a reconciliation of TCE revenue, deduct voyage expenses from revenue on our Statement of Operations. Please also see "Non-GAAP Financial Measures."

Revenue days. Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period associated with repairs or drydockings. Consequently, revenue days represent the total number of days available for the vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in revenue days. We use revenue days to show changes in net vessel revenues between periods.

Contract of affreightment. A contract of affreightment, or COA, relates to the carriage of specific quantities of cargo with multiple voyages over the same route and over a specific period of time which usually spans a number of years. A COA does not designate the specific vessels or voyage schedules that will transport the cargo, thereby providing both the charterer and shipowner greater operating flexibility than with voyage charters alone. The charterer has the flexibility to determine the individual voyage scheduling at a future date while the shipowner may use different vessels to perform these individual voyages. As a result, COAs are mostly entered into by large fleet operators, such as pools or shipowners with large fleets of the same vessel type. We pay the voyage expenses while the freight rate normally is agreed on a per cargo ton basis.

Commercial pools. To increase vessel utilization and revenues, we participate in commercial pools with other shipowners and operators of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each shipowner. Pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers.

Operating days. Operating days are the total number of available days in a period with respect to the owned vessels, before deducting available days due to off-hire days and days in drydock. Operating days is a measurement that is only applicable to our owned vessels, not our chartered-in vessels.

Off-hire. Time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydockings. For time chartered-in vessels, we do not pay the charterhire expense when the vessel is off-hire.

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with accounting principles generally accepted in the United States, or GAAP, management uses certain "non-GAAP financial measures" as such term is defined in Regulation G promulgated by the SEC. Generally, a non-GAAP financial measure is a numerical measure of a company's operating performance,

financial position or cash flows that excludes or includes amounts that are included in, or excluded from, the most directly comparable measure calculated and presented in accordance with GAAP. Management believes the presentation of these measures provides investors with greater transparency and supplemental data relating to our financial condition and results of operations, and therefore a more complete understanding of factors affecting our business than GAAP measures alone. In addition, management believes the presentation of these matters is useful to investors for period-to-period comparison of results as the items may reflect certain unique and/or non-operating items such as asset sales, write-offs, contract termination costs or items outside of management's control.

Earnings before interest, taxes, depreciation and amortization, or EBITDA, adjusted net loss and related per share amounts, as well as adjusted EBITDA and TCE revenue are non-GAAP financial measures that we believe provide investors with a means of evaluating and understanding how our management evaluates our operating performance. These non-GAAP financial measures should not be considered in isolation from, as substitutes for, nor superior to financial measures prepared in accordance with GAAP.

Reconciliations of EBITDA, adjusted net loss, adjusted EBITDA and TCE revenue to the most directly comparable GAAP measures are provided below for the years ended December 31, 2017 and 2016.

EBITDA

	For the Year Ended December 31,	
In thousands	**2017**	**2016**
Net loss	$ (59,726)	$ (124,835)
Add Back:		
Net interest expense	27,307	16,326
Depreciation and amortization [1]	67,710	62,835
EBITDA	$ 35,291	$ (45,674)

[1] Includes depreciation, amortization of deferred financing costs and restricted stock amortization.

Adjusted net loss

	For the Year Ended December 31,					
	2017		**2016**		**2015**	
In thousands, except per share amounts	**Amount**	**Per share**	**Amount**	**Per share**	**Amount**	**Per share**
Net loss	$ (59,726)	$ (0.83)	$ (124,835)	$ (2.22)	$ (510,789)	$ (23.86)
Adjustments:						
Loss / write down on assets held for sale	17,701	0.25	12,433	0.22	422,937	19.75
Write down of deferred financing cost	470	0.01	2,456	0.05	16,085	0.75
Charterhire contract termination	—	—	10,000	0.18	—	—
Total adjustments	18,171	0.26	24,889	0.45	439,022	20.50
Adjusted net loss	$ (41,555)	$ (0.57)	$ (99,946)	$ (1.77)	$ (71,767)	$ (3.36)

Adjusted EBITDA

In thousands	For the Year Ended December 31, 2017	2016
Net loss	$ (59,726)	$ (124,835)
Impact of Adjustments [1]	18,171	24,889
Adjusted net loss	(41,555)	(99,946)
Add Back:		
Net interest expense	27,307	16,326
Depreciation and amortization [2]	67,710	62,835
Adjusted EBITDA	$ 53,462	$ (20,785)

[1] Includes loss/write down on assets held for sale of $17.7 million and a write down of deferred financing costs of $0.5 million.
[2] Includes depreciation, amortization of deferred financing costs and restricted stock amortization.

TCE Revenue

Time Charter Equivalent (TCE) revenue is defined as voyage revenues less voyage expenses. Such TCE revenue, divided by the number of our available days during the period, or revenue days, is TCE per revenue day, which we believe is consistent with industry standards. TCE per revenue day is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per-day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.

In thousands	For the Year Ended December 31, 2017	2016
Vessel Revenues	$ 162,205	$ 78,402
Less:		
Voyage expenses	(429)	45
TCE revenue	$ 161,776	$ 78,447

Executive Summary for the Year Ended December 31, 2017

Our results for the year ended December 31, 2017 reflect the improving market and the growth of our fleet. Vessel revenues increased $83.8 million to $162.2 million as the combined rates of our Ultramax and Kamsarmax vessels significantly increased from $5,789 per day to $9,511 per day. Revenue days increased 26% to 17,009 representing the growth in our fleet. Despite these improvements we had a net loss of $59.7 million or $0.83 loss per diluted share, which included a loss on assets held for sale of $17.7 million and a write off of deferred financing costs of $0.5 million. Excluding these items, our adjusted net loss was $41.6 million, or $0.57 loss per diluted share (see Non-GAAP Financial Measures).

In the first half of 2017, we took delivery of the final six newbuilding vessels in our previously existing newbuilding program and were able to shift our focus from maintaining our balance sheet to operating our fleet in the improving spot market. As the market continued to improve and with our liquidity position solidified, we expanded our fleet through the purchase of nine secondhand vessels at the end of the year for total consideration of approximately $207.0 million, bringing our operating fleet to a total of 56 vessels including 55 owned or finance leased vessels and one time-chartered in vessel. In addition, one vessel is currently under construction and expected to be delivered to us in mid-2018.

Our belief in the strength of our balance sheet and in the recovery of the spot market, has allowed us to institute a share repurchase program and declare quarterly cash dividends. During 2017, we repurchased 1.5 million shares under the Board of Directors authorized stock repurchase program at a cost of approximately $11.0 million, or at an average cost of $7.51 per share, and we declared our first quarterly cash dividend, paying out $0.02 a share or approximately $1.5 million.

Results for the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

For 2017, the Company's GAAP net loss was $59.7 million, or $0.83 loss per diluted share compared to a GAAP net loss of $124.8 million, or $2.22 loss per diluted share for the prior year. EBITDA for 2017 and 2016 were $35.3 million and a loss of $45.7 million, respectively (see Non-GAAP Financial Measures).

For 2017, the Company's adjusted net loss was $41.6 million, or $0.57 adjusted loss per diluted share, which excludes the impact of a write down of assets held for sale of $17.7 million and a write off of deferred financing costs on the credit facility related to those specific vessels of $0.5 million. For 2016, the Company's adjusted net loss was $99.9 million, or $1.78 adjusted loss per diluted share, which excludes a loss/write off of vessels and assets held for sale of $12.4 million, the write off of deferred financing costs on credit facilities that will no longer be used of $2.5 million and a charterhire contract termination fee of $10.0 million (see Non-GAAP Financial Measures).

Total vessel revenues for 2017 were $162.2 million, an increase of $83.8 million from $78.4 million in 2016. Our TCE revenue (see Non-GAAP Financial Measures) for 2017 was $161.8 million, an increase of 106% from 2016. The increase in TCE revenue is attributable to rate increases throughout the year, a sustained increase in demand across all bulk sectors, regions and commodities, as well as a reduction in tonnage supply. We also experienced an increase in revenue days associated with the growth of our fleet.

Total operating expenses for 2017 were $187.8 million compared to $179.1 million in 2016, which included $17.7 million and $12.4 million, respectively, related to asset disposals (as described above). The year over year increase is primarily due to an $17.8 million increase in vessel operating costs resulting from the increase in the size of our fleet.

Ultramax Operations

	For the Year Ended December 31,			
	2017	**2016**	**Change**	**% Change**
TCE Revenue:				
Vessel revenue	$ 94,380	$ 46,718	$ 47,662	102
Voyage expenses	129	36	93	258
TCE Revenue	$ 94,251	$ 46,682	$ 47,569	102
Operating expenses:				
Vessel operating costs	51,445	41,749	9,696	23
Charterhire expense	975	5,033	(4,058)	(81)
Charterhire termination	—	7,500	(7,500)	(100)
Vessel depreciation	29,797	22,040	7,757	35
General and administrative expense	3,389	2,725	664	24
Loss / write down on assets held for sale	—	(130)	130	100
Total operating expenses	$ 85,606	$ 78,917	$ 6,689	8
Operating loss	$ 8,645	$ (32,235)	$ 40,880	127

Vessel revenue for our Ultramax Operations increased to $94.4 million in 2017 from $46.7 million in 2016 due to significant increases in both rates and revenue days, the latter of which is associated with the growth of our fleet.

TCE revenue (see Non-GAAP Financial Measures) for our Ultramax Operations was $94.3 million for 2017 and was associated with a day-weighted average of 28 vessels owned, compared to $46.7 million for the prior year, which was associated with a day-weighted average of 22 vessels owned and one vessel time chartered-in. TCE revenue per day was $9,159 and $5,896 for 2017 and 2016, respectively. Increased worldwide demand across all bulk sectors, regions and commodities, as well as a reduction in supply drove the increase in rates for both of our vessel types.

Ultramax Operations:	For the Year Ended December 31, 2017	2016	Change	% Change
TCE Revenue	$ 94,251	$ 46,682	$ 47,569	102
TCE Revenue / Day	$ 9,159	$ 5,896	$ 3,263	55
Revenue Days	10,291	7,917	2,374	30

Our Ultramax Operations vessel operating costs were $51.4 million in 2017, including approximately $1.2 million of takeover costs associated with new deliveries and $0.6 million of other non-operating expenses and related to 28 vessels owned, on average during the period. Vessel operating costs for the prior year were $41.7 million and related to 22 vessels owned, on average during the period. Daily operating costs excluding takeover and other non-operating expenses for 2017 were $4,842.

Charterhire expense for our Ultramax Operations decreased to $1.0 million in 2017 from $5.0 million in the prior year. We did not time charter-in any Ultramax vessels until the end of the third quarter of 2017, when we chartered-in one Ultramax vessel at $10,125 per day. During 2016, we recorded a $7.5 million charge to terminate three time charter-in contracts.

Ultramax Operations vessel depreciation increased to $29.8 million in 2017 from $22.0 million in the prior year, reflecting the increase in our weighted average vessels owned to 28 from 22.

General and administrative expense for our Ultramax Operations was $3.4 million for 2017 and $2.7 million for 2016. The increase was due to an increase in administrative services fees, reflecting the growth of our fleet.

During 2016, we recorded a reversal of loss/write off of vessels and assets held for sale related to Ultramax vessels held for sale at December 31, 2015, due to accrual adjustments and other cost true ups.

Kamsarmax Operations

	For the Year Ended December 31, 2017	2016	Change	% Change
TCE Revenue:				
Vessel revenue	$ 67,825	$ 31,684	$ 36,141	114
Voyage expenses	300	(81)	381	470
TCE Revenue	$ 67,525	$ 31,765	$ 35,760	113
Operating expenses:				
Vessel operating costs	35,336	27,083	8,253	30
Charterhire expense	4,417	12,323	(7,906)	(64)
Charterhire termination	—	2,500	(2,500)	(100)
Vessel depreciation	18,713	14,522	4,191	29
General and administrative expense	1,916	1,718	198	12
Loss / write down on assets held for sale	17,701	11,557	6,144	53
Total operating expenses	$ 78,083	$ 69,703	$ 8,380	12
Operating loss	$ (10,558)	$ (37,938)	$ 27,380	72

Vessel revenue for our Kamsarmax Operations increased to $67.8 million in 2017 from $31.7 million in 2016 due to significant increases in both rates and revenue days, the latter of which is associated with the growth of our fleet.

TCE revenue (see Non-GAAP Financial Measures) for our Kamsarmax Operations was $67.5 million for 2017 and was associated with a day-weighted average of 18 vessels owned and one vessel time chartered-in, compared to $31.8 million for the prior year, which was associated with a day-weighted average of 14 vessels owned and two vessels time chartered-in. TCE revenue per day was $10,051 and $5,639 for 2017 and 2016, respectively. Increased worldwide demand across all bulk sectors, regions and commodities, as well as a reduction in supply drove the increase in rates for both of our vessel types.

Kamsarmax Operations:	For the Year Ended December 31, 2017	2016	Change	% Change
TCE Revenue	$ 67,525	$ 31,765	$ 35,760	113
TCE Revenue / Day	$ 10,051	$ 5,639	$ 4,412	78
Revenue Days	6,718	5,633	1,085	19

Kamsarmax Operations vessel operating costs were $35.3 million in 2017, including approximately $1.4 million of takeover costs associated with new deliveries and $1.0 million of other non-operating expenses and related to 18 vessels owned, on average during the period. Vessel operating costs for the prior year were $27.1 million and related to 14 vessels owned, on average during the period. Daily operating costs excluding takeover and other non-operating expenses for 2017 were $5,028.

Charterhire expense for our Kamsarmax Operations decreased to $4.4 million in 2017 from $12.3 million in the prior year reflecting the reduction in the number of vessels time chartered-in from four at the start of 2016 to none at the end of 2017. During 2016, we recorded a $2.5 million charge to terminate one time charter-in contract.

Kamsarmax Operations vessel depreciation increased to $18.7 million in 2017 from $14.5 million in the prior year reflecting the increase in our weighted average vessels owned to 18 from 14.

General and administrative expense for our Kamsarmax Operations was $1.9 million and $1.7 million for 2017 and 2016, respectively. The increase was due to an increase in administrative services fees, reflecting the growth of our fleet.

During 2017, we recorded a write down on assets held for sale related to the sale of two Kamsarmax vessels to an unaffiliated third party and in 2016, we recorded a write down of vessels and assets held for sale related to the cancellation of a shipbuilding contract for a Kamsarmax bulk carrier.

Corporate

Corporate general and administrative and financial expenses increased from $53.3 million in 2016 to $57.9 million in 2017, as increases in financial expenses due to increasing LIBOR rates, higher levels of debt and reduced capitalization of interest outweighed decreases in restricted stock amortization as prior year grants, with higher fair values than current grants, vested and were fully expensed.

During 2017 and 2016, we wrote off $0.5 million and $2.5 million, respectively, of deferred financing costs accumulated on credit facilities for which the related vessels were sold or the commitments were otherwise reduced.

Results for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Ultramax Operations

	For the Year Ended December 31,			
	2016	**2015**	**Change**	**% Change**
TCE Revenue:				
Vessel revenue	$ 46,718	$ 26,771	19,947	75
Voyage expenses	36	176	(140)	(80)
TCE Revenue	$ 46,682	$ 26,595	$ 20,087	76
Operating expenses:				
Vessel operating costs	41,749	14,297	27,452	192
Charterhire expense	5,033	21,880	(16,847)	(77)
Charterhire termination	7,500	—	7,500	NA
Vessel depreciation	22,040	6,104	15,936	261
General and administrative expense	2,725	713	2,012	282
Loss / write down on assets held for sale	(130)	5,622	(5,752)	(102)
Total operating expenses	$ 78,917	$ 48,616	$ 30,301	62
Operating loss	$ (32,235)	$ (22,021)	$ (10,214)	(46)

Vessel revenue for our Ultramax Operations increased significantly to $46.7 million in 2016 from $26.8 million in 2015 due to the increase in revenue days associated with the growth of our fleet.

TCE revenue (see Non-GAAP Financial Measures) for our Ultramax Operations was $46.7 million for 2016 and was associated with a day-weighted average of 22 vessels owned and one vessel time chartered-in, compared to $26.6 million for the prior year, which was associated with a day-weighted average of seven vessels owned and five vessels time chartered-in. TCE revenue per day was $5,896 and $6,839 for 2016 and 2015, respectively. The decrease in TCE revenue per day was due to the depressed market in which we operated for most of the year. Overall TCE revenues increased versus the prior year despite the lower rates due to the increase in revenue days associated with the growth of our fleet

	For the Year Ended December 31,			
Ultramax Operations:	**2016**	**2015**	**Change**	**% Change**
TCE Revenue	$ 46,682	$ 26,595	$ 20,087	76
TCE Revenue / Day	$ 5,896	$ 6,839	$ (943)	(14)
Revenue Days	7,917	3,889	4,028	104

Ultramax Operations vessel operating costs were $41.7 million in 2016, including approximately $2.0 million of takeover costs associated with new deliveries and $1.2 million of other non-operating expenses and related to 22 vessels owned, on average during the period. Vessel operating costs for the prior year were $14.3 million and related to seven vessels owned, on average during the period. Daily operating costs excluding takeover and other non-operating expenses for 2016 were $5,063.

Charterhire expense for our Ultramax Operations decreased to $5.0 million in 2016 from $21.9 million in the prior year reflecting the reduction in the number of vessels time chartered-in. During 2016, we recorded a $7.5 million charge to terminate three time charter-in contracts. Terminating these contracts reduced our cash outflow and had a positive impact on our future operating results as the contracts were at above current market rates.

Ultramax Operations vessel depreciation increased to $22.0 million in 2016 from $6.1 million in the prior year reflecting the increase in our weighted average vessels owned to 22 from seven.

General and administrative expense for our Ultramax Operations was $2.7 million for 2016 and $0.7 million for 2015. The increase was due to an increase in administrative services fees, reflecting the growth of our fleet.

During 2016, we recorded a reversal of loss/write off of vessels and assets held for sale related to Ultramax vessels held for sale at December 31, 2015, including accrual adjustments and other cost true ups. The loss recorded in 2015 was associated with writing down vessels and construction contracts that were sold or classified as held for sale during 2015.

Kamsarmax Operations

	For the Year Ended December 31,			
	2016	**2015**	**Change**	**% Change**
TCE Revenue:				
Vessel revenue	$ 31,685	$ 26,712	$ 4,973	19
Voyage expenses	(81)	331	(412)	(124)
TCE Revenue	$ 31,766	$ 26,381	$ 5,385	20
Operating expenses:				
Vessel operating costs	27,083	9,986	17,097	171
Charterhire expense	12,323	29,509	(17,186)	(58)
Charterhire termination	2,500	—	2,500	NA
Vessel depreciation	14,522	4,536	9,986	220
General and administrative expense	1,718	498	1,220	245
Loss / write down on assets held for sale	11,557	8,997	2,560	28
Total operating expenses	$ 69,703	$ 53,526	$ 16,177	30
Operating loss	$ (37,937)	$ (27,145)	$ (10,792)	(40)

Vessel revenue for our Kamsarmax Operations increased to $31.7 million in 2016 from $26.8 million in 2015 due to the increase in revenue days associated with the growth of our fleet.

TCE revenue (see Non-GAAP Financial Measures) for our Kamsarmax Operations was $31.8 million for 2016 and was associated with a day-weighted average of 14 vessels owned and two vessels time chartered-in, compared to $26.4 million for the prior year, which was associated with a day-weighted average of five vessels owned and seven vessels time chartered-in. TCE revenue per day was $5,639 and $6,660 for 2016 and 2015, respectively. The decrease in TCE revenue per day was due to the depressed market in which we operated for most of the year. Overall TCE revenues increased versus the prior year despite the lower rates due to the increase in revenue days associated with the growth of our fleet.

	For the Year Ended December 31,			
Kamsarmax Operations:	**2016**	**2015**	**Change**	**% Change**
TCE Revenue	$ 31,766	$ 26,381	$ 5,385	20
TCE Revenue / Day	$ 5,639	$ 6,660	$ (1,021)	(15)
Revenue Days	5,633	3,961	1,672	42

Kamsarmax Operations vessel operating costs were $27.1 million in 2016, including approximately $0.8 million of takeover costs associated with new deliveries and $1.0 million of other non-operating expenses and related to 14 vessels owned, on average during the period. Vessel operating costs for the prior year were $10.0 million and related to five vessels owned, on average during the period. Daily operating costs excluding takeover and other non-operating expenses for 2016 were $5,236.

Charterhire expense for our Kamsarmax Operations decreased to $12.3 million in 2016 from $29.5 million in the prior year reflecting the reduction in the number of vessels time chartered-in. During 2016, we recorded a $2.5 million charge to terminate a time charter-in contract. Terminating this contract reduced our cash outflow and had a positive impact on our future operating results as the contract was at above current market rates. As of December 31, 2016, we had two remaining time chartered-in vessels. Of these two time chartered-in vessels, one was redelivered in the first quarter of 2017, and the other was redelivered during the third quarter of 2017.

Kamsarmax Operations depreciation increased to $14.5 million in 2016 from $4.5 million in the prior year reflecting the increase in our weighted average vessels owned to 14 from five.

General and administrative expense for our Kamsarmax Operations was $1.7 million for 2016 and $0.5 million for 2015. The increase was due to an increase in administrative services fees, reflecting the growth of our fleet.

During 2016, we recorded a loss/write off of vessels and assets held for sale of $11.6 million, which primarily related to the cancellation of a shipbuilding contract for a Kamsarmax bulk carrier and additional expenses related to vessels held for sale at December 31, 2015, including accrual adjustments and other cost true ups. The loss recorded in the prior year was associated with writing down vessels and construction contracts that were sold or classified as held for sale during 2015, as well as incremental write-downs of certain construction contracts that were classified as held for sale at December 31, 2014.

Capesize Operations

	For the Year Ended December 31,			
	2016	**2015**	**Change**	**% Change**
TCE Revenue:				
Vessel revenue	$ —	$ 9,038	$ (9,038)	(100)
Voyage expenses	—	280	(280)	(100)
TCE Revenue	$ —	$ 8,758	$ (8,758)	(100)
Operating expenses:				
Vessel operating costs	—	5,089	(5,089)	(100)
Vessel depreciation	—	3,623	(3,623)	(100)
General and administrative expense	380	275	105	38
Loss / write down on assets held for sale	1,006	408,318	(407,312)	(100)
Total operating expenses	$ 1,386	$ 417,305	$ (415,919)	(100)
Operating loss	$ (1,386)	$ (408,547)	$ 407,161	(100)

Prior to 2016, the Company was organized into three operating segments: Ultramax, Kamsarmax and Capesize, the latter of which included vessels of approximately 180,000 DWT. However, we sold all of our Capesize vessels and Capesize newbuilding vessels by the end of 2015.

Corporate

Certain of the corporate general and administrative expenses we incurred and all of our financial expenses are not attributable to any specific segment. Accordingly, these costs are not allocated to any of our segments. General and administrative expenses decreased $4.7 million from $33.9 million in 2015 to $29.2 million in 2016, primarily due to a decrease in restricted stock amortization as prior year grants, with higher fair values than current grants, vested and were fully expensed as well as the reversal of expense related to canceled awards. Financial expense, net increased from $19.5 million in 2015 to $24.9 million in 2016, due to higher levels of debt and lower levels of capitalized interest. During 2016 and 2015, we wrote off $2.5 million and $16.1 million, respectively, of deferred financing costs accumulated on credit facilities for which the related vessels were sold or the commitments were otherwise reduced.

Recent accounting pronouncements

In May 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting”, which clarifies when changes to the terms or conditions of a share-based payment must be accounted for as modifications. Under the new guidance, an entity will not apply modification accounting to a share-based payment award if all of the following are the same immediately before and after the change: (i) the award’s fair value, (ii) the award’s vesting conditions, and (iii) the award’s classification as an equity or liability instrument. The new guidance does not change the accounting for modifications. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 for all entities. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued or made available for issuance. We do not expect ASU 2017-09 to have a significant impact on our consolidated financial statements or financial disclosures.

In November 2016, the FASB issued ASU 2016-18, “Restricted Cash”. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption in an interim period is permitted, but any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. We do not expect ASU 2016-018 to have a significant impact on our Consolidated Statement of Cash Flows.

In August 2016, the FASB issued ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments”, which addresses classification issues related to the statement of cash flows. Classification issues relate to (i) debt repayment of debt extinguishment costs, (ii) settlement of zero-coupon bonds, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. The guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the ASU in an interim period, adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Entities should apply this ASU using a retrospective transition method to each period presented. If it is impracticable for an entity to apply the ASU retrospectively for some of the issues, it may apply the amendments for those issues prospectively as of the earliest date practicable. We do not expect ASU 2016-15 to have a significant impact on our Consolidated Statement of Cash Flows.

In February 2016, the FASB issued ASU 2016-02, “Leases”, which is intended to improve financial reporting about leasing transactions. The ASU affects all companies that lease assets. The ASU will require organizations that lease assets, or lessees, to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with terms of more than twelve months. The accounting for lease arrangements by lessor will remain largely unchanged from current U.S. GAAP. The ASU will also require additional quantitative and qualitative disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years and interim periods beginning after December 15, 2018 although early adoption is permitted. The ASU requires reporting organizations to take a modified retrospective transition approach. While we are still reviewing our contracts to assess the overall impact of the guidance, we have determined that our existing pool arrangements meet the definition of leases under ASU 2016-02, with us as lessor, on the basis that the pool manages the vessels in order to enter into transportation contracts with their customers, and thereby enjoy the economic benefits derived from such arrangements. Furthermore, the pool can direct the use of a vessel (subject to certain limitations in the pool or charter agreement) throughout the period of use. On November 29, 2017 the FASB voted to propose amendments to the new leases guidance to add two practical expedients. The proposed changes would allow entities to elect a simplified transition approach, and provide lessors with an option related to how lease and other related revenues are presented and disclosed. We will adopt this new standard on January 1, 2019, applying the main transition option, with no restatement of comparative figures for prior periods.

ASU 2016-02 also amends the existing accounting standards to require lessees to recognize, on a discounted basis, the rights and obligations created by the commitment to lease assets on the balance sheet, unless the term of the lease is 12 months or less. Based on our operating fleet as of December 31, 2017, the standard will result in the recognition of right-of-use assets and corresponding liabilities, on the basis of the discounted remaining future minimum lease payments, relating to our existing bareboat chartered-in vessel commitments that are currently reported as operating leases. We do not expect this standard to impact the accounting for our existing time chartered-out vessels which are scheduled to expire in the first quarter of 2019. Furthermore, the eventual expected impact of this standard as it pertains to time or bareboat chartered-in vessels, cannot be estimated as we are unable to predict what our lease commitments will be at December 31, 2018.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update in respect of revenue from contracts with customers (Topic 606). The effective date is for annual periods beginning after December 15, 2017. This standard will require to (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. We expect that our time charter arrangements may contain a service component, for example crew assistance , that will be in the scope of the new standard. Therefore the part of transaction price of charter arrangements should be allocated to service component and recognized in revenue in accordance with the requirements of the new standard. Revenue generated from pooling arrangements are within the scope of ASU 2016-02, which is discussed further above. Our time-chartered arrangements may contain both a lease and a service components. Prior to the expected adoption of ASC 842 practical expedients mentioned above, the non-lease component is supposed to be in the scope of the revenue standard. However, ASC 842 would allow lessor to not separate the lease components and the non-lease component. The lessor

practical expedient would be limited to circumstances in which both (1) the timing and pattern of revenue recognition are the same for the nonlease component(s) and related lease component and (2) the combined single lease component would be classified as an operating lease. We also understand that lessors would not be required to account for the service component under ASC 606 in 2018, even if the future practical expedients will not be effective.

Critical Accounting Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with U.S. GAAP. In many instances, the application of such principles requires management to make estimates or to apply subjective principles to particular facts and circumstances. A change in the estimates or a variance in the application, or interpretation of U.S. GAAP could yield a materially different accounting result. A summary of our critical accounting estimates where we believe that the estimations, judgments or interpretations that we made, if different, would have yielded the most significant differences in our consolidated financial statements, can be found in the notes to the consolidated financial statements. In addition, for a summary of all of our significant accounting policies see Note 1, *Organization and Basis of Presentation*, in the notes to the consolidated financial statements.

Vessels and depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel including capitalized interest and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our vessels on a straight-line basis to their residual value over their estimated useful lives of 25 years from the date the vessel is ready for its first voyage. The estimated useful life of 25 years is management's best estimate and is also consistent with industry practice for similar vessels. The residual value is estimated as the lightweight tonnage of each vessel multiplied by an estimated scrap value per ton. The scrap value per ton is estimated taking into consideration the historical four years average scrap market rates at the balance sheet date.

An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge.

When regulations place limitations over the ability of a vessel to trade on a worldwide basis, or when the cost of complying with such regulations is not expected to be recovered, we will adjust the vessel's useful life to end at the date such regulations preclude such vessel's further commercial use.

The carrying value of our vessels does not represent the fair market value of such vessels or the amount we could obtain if we were to sell any of our vessels, which could be more or less. Under U.S. GAAP, we would not record a loss if the fair market value of a vessel (excluding its charter) is below its carrying value unless and until we determine to sell that vessel or the vessel is impaired as discussed below under "*Impairment of long-lived assets held for use*."

Pursuant to our bank credit facilities, prior to drawdown of loans under the credit facilities we submit to the lenders valuations of the vessels collateralizing the relevant facility. Thereafter, we will regularly submit to the lenders valuations of our vessels on an individual charter free basis in order to evidence our compliance with the collateral maintenance covenants under our bank credit facilities. Such a valuation is not necessarily the same as the amount any vessel may bring upon sale, which may be more or less, and should not be relied upon as such. We have received valuations on each vessel in our fleet as of December 31, 2017. If we were to apply those valuations to the carrying value of our vessels as of December 31, 2017, the aggregate carrying value would exceed the fair value of our vessels by an aggregate of $156.3 million. The fair values of our vessels can fluctuate depending on the shipyards and the dates of delivery. These assumptions have not been taken into account in the amounts disclosed above.

Impairment of long-lived assets held for use

We follow Accounting Standards Codification or ASC Subtopic 360-10, *Property, Plant and Equipment*, or ASC 360-10, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. If indicators of impairment are present, we perform an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets.

When indicators of impairment are present and our estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair market value if the fair market value is lower than the vessel's carrying value.

Our vessels are assessed for impairment whenever events or changes in circumstances indicate the carrying amount of our vessels and vessels under construction may not be recoverable. In developing our estimates of undiscounted cash flows, we make assumptions and estimates about vessels' future performance, with the most significant assumptions relating to (i) charter rates on expiry of existing charters, which are based on the current fixing applicable to five-year time charter rates and thereafter, a reversion to the ten-year historical average for each category of vessel, (ii) off-hire days, which are based on actual off-hire statistics for our fleet, (iii) operating costs, based on current levels escalated over time based on long term trends, (iv) drydocking frequency, duration and cost, (v) estimated useful life which is assessed as a total of 25 years and (vi) estimated scrap values. Specifically, we utilize the rates currently in effect for the duration of our vessel's current time charters, without assuming any profit sharing. For periods of time where our vessels are not fixed on time charters, we utilize an estimated daily TCE for our vessels' unfixed days using the five year time charter average in effect as of the date of the assessment for the next five years and the ten year historical average for the remainder of the vessels' useful lives, which is common practice for the industry. We further assume a utilization rate of 95% for our vessels and do not apply any inflation to the estimated rates used. We apply a 2% inflation rate to vessel operating costs.

During the year ended December 31, 2017, there were no changes in circumstances or events that indicated that the carrying amount of our vessels or vessel under construction may not be recoverable and therefore, an assessment of impairment was not performed.

During our fourth quarter 2016 assessment, we determined that the future income streams expected to be generated by our vessels, including vessels under construction which are carried at balances that approximate their fair values, over their remaining operating lives on an undiscounted basis would be sufficient to recover their carrying values and, accordingly, it confirmed that our vessels were not impaired under U.S. GAAP. Our estimated future undiscounted cash flows exceeded each of our vessels' carrying values, as well as the expected carrying values of vessels under construction upon their delivery to us by the shipyards, by a considerable margin (approximately 150% - 192% of carrying value). As of December 31, 2016 we owned 42 vessels with an average remaining useful life of 23.9 years.

During our fourth quarter 2015 assessment, we determined that the future income streams expected to be generated by our vessels, including vessels under construction and excluding assets held for sale which are carried at balances that approximate their fair values, over their remaining operating lives on an undiscounted basis would be sufficient to recover their carrying values and, accordingly, it confirmed that our vessels were not impaired under U.S. GAAP. Our estimated future undiscounted cash flows exceeded each of our vessels' carrying values, as well as the expected carrying values of vessels under construction upon their delivery to us by the shipyards, by a considerable margin (approximately 68% - 118% of carrying value). As of December 31, 2015, we owned 25 vessels, excluding those classified as held for sale, which had an average remaining useful life of 24.6 years.

In our impairment testing, we also examine the sensitivity of the future income streams expected to be earned by our vessels by reviewing other scenarios relative to the initial assumptions we used to see if the resulting impact would have resulted in a different conclusion. Accordingly, we perform sensitivity analyses based on more conservative charter rates and expected useful lives for our vessels, separately and in combination. We then evaluate the outcomes of the sensitivity analyses performed to assess their impact on our conclusions and determine whether there will be any impairment to our vessels.

Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time, which could adversely affect our revenue and profitability, and any future assessments of vessel impairment.

Management will continue to monitor developments in charter rates in the markets in which it participates with respect to the expectation of future rates over an extended period of time that are utilized in the analyses.

B. Liquidity and Capital Resources

Our primary source of funds for our short-term and long-term liquidity needs will be the cash flows generated from our vessels, which primarily operate in the Scorpio Group Pools, in the spot market or on time charter. We believe that the Scorpio Group Pools reduce volatility because (i) they aggregate the revenues and expenses of all pool participants and distribute net

earnings to the participants based on an agreed upon formula and (ii) some of the vessels in the pool are on time charter. Furthermore, spot charters provide flexibility and allow us to fix vessels at prevailing rates.

At December 31, 2017, cash and cash equivalents totaled $68.5 million. We believe that our current cash and cash equivalents balance as well as operating cash flows will be sufficient to meet our short-term and long-term liquidity needs for the next 12 months from the date of this annual report, which are primarily comprised of debt repayment obligations and a contract for the construction of a Kamsarmax vessel.

Equity Issuances

In November 2017, in connection with the purchase of three Ultramax vessels, we issued warrants to purchase approximately 1.6 million common shares at an exercise price of $8.10 per share to an unaffiliated third party as part of the total consideration paid. The warrants were exercised and we issued the shares in January 2018.

In connection with the purchase of one Ultramax vessel, we issued approximately 0.9 million common shares to the parent of the seller of the vessel on December 29, 2017, upon delivery of such vessel.

During the years ended December 31, 2017 and 2016, we issued 12,946 common shares and 51,679 common shares, respectively, both with a fair value of $0.1 million, to SSH pursuant to the Amended Administrative Services Agreement, relating to our Newbuilding Program.

On June 20, 2016, we issued 23.0 million common shares, par value $0.01 per share, at $3.05 per share in an underwritten public offering. SSH purchased an aggregate of approximately 5.3 million common shares at the public offering price. We received approximately $67.5 million of net proceeds from the issuance.

On June 1, 2016, our shareholders approved an amendment to our Amended and Restated Articles of Incorporation to increase our total number of authorized common shares to 112.5 million shares at the annual general meeting of shareholders.

On March 22, 2016, we issued 21.0 million common shares, par value $0.01 per share, at $3.00 per share in an underwritten public offering. SSH and certain of our directors purchased an aggregate of 5,030,000 common shares at the public offering price. We received approximately $60.6 million of net proceeds from the issuance.

On December 31, 2015, our board of directors effected a one-for-twelve reverse stock split of our common shares, par value $0.01 per share, and a reduction in the total number of authorized common shares to approximately 56.3 million shares. Our shareholders approved the reverse stock split and change in authorized common shares at a special meeting of shareholders held on December 23, 2015. The reverse stock split reduced the number of outstanding common shares from approximately 344.2 million shares to approximately 28.7 million shares.

On June 16, 2015, we issued approximately 11.1 million common shares, par value $0.01 per share at $18.00 per share in an underwritten public offering. SSH and certain of our executive officers purchased an aggregate of 0.8 million common shares at the public offering price. We received $190.2 million of proceeds from the issuance. On June 23, 2015, underwriters exercised their option to purchase approximately 1.7 million additional common shares in connection with the offering. The sale of these common shares resulted in net proceeds to us of approximately $28.4 million, after deducting underwriters' discounts and commissions.

Cash Flow

Operating Activities

The table below summarizes the effect of the major components of operating cash flow.

	For the Year Ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Net loss	$ (59,726)	$ (124,835)	$ (510,789)
Non-cash items included in net loss	84,181	73,644	479,872
Related party balances	(7,568)	5,656	(4,878)
Effect of changes in other working capital and operating assets and liabilities	2,695	(6,661)	653
Net cash used in operating activities	$ 19,582	$ (52,196)	$ (35,142)

The cash flow provided by operating activities for the year ended December 31, 2017 was driven by a reduction in our net loss, resulting from an increase in the rates earned by our vessels and an increase in non-cash expense, primarily depreciation.

Investing Activities

Net cash used in investing activities of $172.7 million reflects the investment we made in our fleet, which consisted of $186.7 million related to the purchase of nine Ultramax vessels, a $6.7 million deposit on one Kamsarmax vessel under construction and $23.3 million related to the completion of our Newbuilding Program, partially offset by $44.3 million from the sale of two Kamsarmax vessels.

Financing Activities

Net cash provided by financing activities of $119.9 million reflects:

- Net issuance of long-term debt borrowings, offset by repayments of long-term debt, of $134.6 million.
- In October 2017, we entered into a financing transaction with respect to one of our Kamsarmax vessels with unaffiliated third parties involving the sale and leaseback of the SBI Rumba, a 2015 Japanese built Kamsarmax dry bulk vessel, for consideration of approximately $19.6 million. After the repayment of approximately $13.2 million of bank debt and the payment of fees, the transaction increased our liquidity by approximately $6.0 million.
- During 2017, we repurchased approximately 1.5 million shares of our common stock under our Board of Directors authorized stock repurchase program at a cost of approximately $11.0 million, which was funded from our available cash resources. As of the date of this annual report, approximately $39.0 million of the $50.0 million authorized remains available for the repurchase of our common stock in open market or privately negotiated transactions. The specific timing and amounts of the repurchases will be in the sole discretion of management and may vary based on market conditions and other factors, but we are not obligated under the terms of the program to repurchase any of our common stock. The authorization has no expiration date.
- During 2017, our Board of Directors declared and we paid a quarterly cash dividend of $0.02 per share totaling approximately $1.5 million.

Credit Facilities, Finance Lease and Unsecured Notes

$39.6 Million Credit Facility

On June 27, 2014, we entered into a $39.6 million senior secured credit facility with NIBC Bank N.V. to finance a portion of two of the vessels then in our Newbuilding Program which secured this facility. This facility bore interest at LIBOR plus a margin of 2.925%. The term of this facility was originally five years, expiring in June 2019, and then subsequently extended to September 2020 should we have met certain conditions. This facility was secured by, among other things, a first priority mortgage on two Kamsarmax vessels and guaranteed by each of the vessel owning subsidiaries.

During 2017, we sold the two Kamsarmax vessels collateralizing this facility, fully repaid this loan and terminated this credit facility.

$330.0 Million Credit Facility

On July 29, 2014, we entered into a $330.0 million senior secured credit facility with Credit Agricole Corporate and Investment Bank and Deutsche Bank AG London to finance a portion of the purchase price of 22 of the vessels then in our Newbuilding Program, which was subsequently reduced by $15.0 million due to our sale of one of the vessels that was to collateralize this facility. This facility bears interest at LIBOR plus a margin of 2.925% and has a term of seven years. This facility is secured by, among other things, a first preferred cross-collateralized mortgage on each of 21 of our vessels (consisting of 15 Ultramax drybulk carriers and six Kamsarmax drybulk carriers) and guaranteed by each of the vessel owning subsidiaries.

As of December 31, 2017, we drew down $294.2 million relating to 15 Ultramax vessels and six Kamsarmax vessels, of which approximately $247.9 million was outstanding as of that date.

$67.5 Million Credit Facility

On July 30, 2014, we entered into a $67.5 million credit facility with a leading European financial institution. The proceeds of this facility were used to fund a portion of the purchase price of four of the vessels then in our Newbuilding Program that secure this facility. This facility has a seven year term from the date of delivery of each such vessel securing the loan, with customary financial and restrictive covenants. This facility bears interest at LIBOR plus a margin of 2.95%. The $67.5 Million Credit Facility is secured by, among other things, a first priority mortgage on four of the vessels then in our Newbuilding Program (two Ultramax and two Kamsarmax vessels), and a parent company guarantee.

As of December 31, 2017, we borrowed $53.8 million associated with drawdowns on two Kamsarmax vessels and two Ultramax vessels, of which approximately $40.5 million was outstanding as of that date.

$409.0 Million Credit Facility

On December 30, 2014, we entered into a $409.0 million senior secured credit facility with Nordea Bank Finland PLC, New York Branch, and Skandinaviska Enskilda Banken AB (publ) to partially finance a portion of our acquisition of 20 of the vessels then in our Newbuilding Program (six Ultramax, nine Kamsarmax, and five Capesize vessels). This credit facility was subsequently (i) reduced by $136.0 million due to the sale of five Capesize vessels and the addition of one Ultramax vessel to the security package under the facility, (ii) further reduced by $14.6 million due to the cancellation of a shipbuilding contract for a Kamsarmax bulk carrier that would serve as partial security under the facility, and (iii) further reduced by approximately $22.5 million due to the drop in vessel values. As amended, this credit facility was used to finance a portion of the purchase price of 15 vessels (seven Ultramax and eight Kamsarmax vessels). This facility bears interest at LIBOR plus a margin of 3.00% and has a term of six years. This facility is secured by, among other things, a first preferred mortgage on each of the 15 vessels.

As of December 31, 2017, we borrowed $220.8 million on 15 vessels of which approximately $174.4 million was outstanding as of that date.

$42.0 Million Credit Facility

On January 30, 2015, we entered into a senior secured credit facility for up to $42.0 million with a leading European financial institution to finance a portion of the purchase price of two Kamsarmax vessels which were delivered to us, and subsequently upsized by $10.8 million to finance a portion of the purchase price of one Ultramax vessel. Each tranche for the Kamsarmax vessels has a final maturity of six years from the drawdown date of the respective vessel, and the tranche for the Ultramax vessel matures on September 21, 2021. This facility bears interest at LIBOR plus a margin of 2.97%. This facility is secured by, among other things, a first preferred mortgage on the three vessels and guaranteed by each of the vessel owning subsidiaries.

During 2017, we repaid approximately $13.2 million of the $42.0 Million Credit Facility upon the completion of the $19.6 Million Lease Financing transaction.

As of December 31, 2017, the outstanding balance on this facility was approximately $22.4 million.

$12.5 Million Credit Facility

On December 22, 2015, we entered into a senior secured credit facility for up to $12.5 million, which was used to finance a portion of the purchase price of one Ultramax vessel which was delivered to us. The facility has a maturity date of December 22, 2020. This facility bears interest at LIBOR plus a margin of 3.00%. This facility is secured by, among other things, a first preferred mortgage on the Ultramax vessel and guaranteed by the vessel owning subsidiary.

As of December 31, 2017, the outstanding balance on this facility was approximately $10.2 million.

$27.3 Million Credit Facility

On December 22, 2015, we entered into a senior secured credit facility for up to $27.3 million, which was used to finance a portion of the purchase price of two Ultramax vessels then in our Newbuilding Program. Each tranche has a maturity of five years from the drawdown date. This facility bears interest at LIBOR plus a margin of 2.95%. This facility is secured by, among other things, a first preferred mortgage on the two Ultramax vessels and guaranteed by each of the vessel owning subsidiaries.

As of December 31, 2017, the outstanding balance on this facility was approximately $18.2 million.

$85.5 Million Credit Facility

On December 5, 2017, we entered into a senior secured credit facility for up to $85.5 million which was used to finance a portion of the purchase price of six Ultramax vessels we acquired in the fourth quarter of 2017. The facility has a maturity date of February 15, 2023 and bears interest at LIBOR plus a margin of 2.85%. This facility is secured by, among other things, a first preferred mortgage on the six Ultramax vessels and guaranteed by each vessel owning subsidiary.

As of December 31, 2017, we drew down the entire amount available and the outstanding balance on this facility was approximately $85.5 million.

$38.7 Million Credit Facility

On December 13, 2017, we entered into a senior secured credit facility for up to $38.7 million which was used to finance a portion of the purchase price of three Ultramax vessels we acquired in the fourth quarter of 2017. The facility has a maturity date of December 13, 2022 and bears interest at LIBOR plus a margin of 2.85%. This facility is secured by, among other things, a first preferred mortgage on the three Ultramax vessels and guaranteed by each vessel owning subsidiary.

As of December 31, 2017, we drew down the entire amount available and the outstanding balance on this facility was approximately $38.7 million.

$19.6 Million Lease Financing

In October 2017, we entered into a financing transaction regarding one of our Kamsarmax vessels with unaffiliated third parties involving the sale and leaseback of the SBI Rumba, a 2015 Japanese built Kamsarmax dry bulk vessel, for consideration of approximately $19.6 million. As part of the transaction, we have agreed to make monthly payments of $164,250 under a nine and a half year bareboat charter agreement with the buyers, which we have the option to extend for a further six months. The agreement also provides us with options to repurchase the vessel beginning on the fifth anniversary of the sale and until the end of the agreement.

The cost of the financing is equivalent to an implied fixed interest rate of 4.23% for 10 years. If converted to floating interest rates, based on the expected weighted average life of the transaction, the equivalent margin at the then prevailing swap rates would be LIBOR plus 2.07%.

As of December 31, 2017, we had $657.0 million of outstanding borrowings under the credit agreements and lease financing described above as shown in the following table (dollars in thousands):

	December 31, 2017	March 2, 2018
	Amount outstanding	Amount outstanding
$409 Million Credit Facility	174,443	173,123
$330 Million Credit Facility	247,876	247,876
$42 Million Credit Facility	22,354	22,354
$67.5 Million Credit Facility	40,461	39,459
$12.5 Million Credit Facility	10,183	10,183
$27.3 Million Credit Facility	18,213	17,825
$85.5 Million Credit Facility	85,500	85,500
$38.7 Million Credit Facility	38,700	38,700
$19.6 Million Lease Financing	19,268	19,073
Total	$ 656,998	$ 654,093

Our secured credit facilities are secured by, among other things: a first priority mortgage over the relevant collateralized vessels; a first priority assignment of earnings, and insurances from the mortgaged vessels for the specific facility; a pledge of the earnings account of the mortgaged vessels for the specific facility; and a pledge of the equity interests of each vessel owning subsidiary under the specific facility.

Loan Covenants

Certain of our credit facilities discussed above, have, among other things, the following financial covenants, as amended or waived, the most stringent of which require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth (adjusted for a minimum amount of $100.0 million in historical non-operating costs and to exclude certain future non-operating items) including impairments, no less than $500.0 million plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after December 31, 2013 and (ii) 50% of the value of any new equity issues occurring on or after December 31, 2013.
- The ratio of EBITDA to net interest expense calculated on a year-to-date basis of greater than 1.00 to 1.00 for the quarters ending March 31, 2019 and June 30, 2019, 2.50 to 1.00 for the quarter ending September 30, 2019, calculated on a year-to-date basis and 2.50 to 1.00 for each quarter thereafter, calculated on a trailing four quarter basis.
- Minimum liquidity of not less than the greater of $25.0 million or $0.7 million per owned vessel.
- Maintain a minimum fair value of the collateral for each credit facility, such that the aggregate fair value of the vessels collateralizing the credit facility is 140%, except in the case of our $67.5 Million Credit Facility, for which it is 115% of the aggregate principal amount outstanding under such credit facility, or, if we do not meet these thresholds to prepay a portion of the loan or provide additional security to eliminate the shortfall.

Our credit facilities discussed above have, among other things, the following restrictive covenants which would restrict our ability to:

- incur additional indebtedness;
- sell the collateral vessel, if applicable;
- make additional investments or acquisitions;
- pay dividends; and
- effect a change of control of us.

A violation of any of the financial covenants contained in our credit facilities described above may constitute an event of default under all of our credit facilities, which, unless cured within the grace period set forth under the credit facility, if applicable,

or waived or modified by our lenders, provides our lenders with the right to, among other things, require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, reclassify our indebtedness as current liabilities and accelerate our indebtedness and foreclose their liens on our vessels and the other assets securing the credit facilities, which would impair our ability to continue to conduct our business.

Furthermore, our credit facilities contain a cross-default provision that may be triggered by a default under one of our other credit facilities. A cross-default provision means that a default on one loan would result in a default on certain of our other loans. Because of the presence of cross-default provisions in certain of our credit facilities, the refusal of any one lender under our credit facilities to grant or extend a waiver could result in certain of our indebtedness being accelerated, even if our other lenders under our credit facilities have waived covenant defaults under the respective credit facilities. If our secured indebtedness is accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels and other assets securing our credit facilities if our lenders foreclose their liens, which would adversely affect our ability to conduct our business.

Moreover, in connection with any waivers of or amendments to our credit facilities that we have obtained, or may obtain in the future, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing credit facilities. These restrictions may further restrict our ability to, among other things, pay dividends, make capital expenditures or incur additional indebtedness, including through the issuance of guarantees. In addition, our lenders may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness.

As of December 31, 2017, we were in compliance with all of the financial covenants contained in the credit facilities that we had entered into as of that date.

Please see Note 11, *Debt*, to our consolidated financial statements for additional information about our credit facilities.

Senior Notes due 2019

On September 22, 2014, we issued $65.0 million aggregate principal amount of our 7.50% senior unsecured notes due 2019, or our Senior Notes, in a registered public offering. The Senior Notes will mature on September 15, 2019, and may be redeemed in whole or in part at any time, or from time to time, after September 15, 2016. Interest on the Senior Notes is payable quarterly on each of March 15, June 15, September 15 and December 15, commencing on December 15, 2014. We used the net proceeds we received to fund installment payments due under our Newbuilding Program. On October 16, 2014, we issued an additional $8.625 million aggregate principal amount of our Senior Notes, pursuant to the underwriters' option to purchase additional Senior Notes. Our Senior Notes due 2019 commenced trading on the NYSE on September 29, 2014 under the symbol "SLTB."

The indenture governing our Senior Notes contains certain restrictive covenants, including:

(a) *Limitation on Borrowings*. We are prohibited from letting net borrowings equal or exceed 70% of our total assets, which are calculated as all of our assets of the types presented on our consolidated balance sheet.

(b) *Limitation on Minimum Tangible Net Worth*. We shall ensure that our net worth always exceeds $500 million.

(c) *Reports*. Following any cross default, we shall promptly notify the holders of our Senior Notes of the occurrence of such cross default.

(d) *Limitation on Asset Sales*. We shall not, and shall not permit any subsidiary to, in the ordinary course of business or otherwise, sell, lease, convey, transfer or otherwise dispose of any of our or any such subsidiary's assets (including capital stock and warrants, options or other rights to acquire capital stock) other than pursuant to a Permitted Asset Sale or a Limited Permitted Asset Sale (as such terms are defined in the indenture governing our Senior Notes and described below), unless (A) we receive, or the relevant subsidiary receives, consideration at the time of such asset sale at least equal to the fair market value (including as to the value of all non-cash consideration), as determined in good faith by our board of directors, of the assets subject to such asset sale, and (B) within 365 days after the receipt of any net proceeds from an asset sale, we or the relevant subsidiary, as the case may be, shall apply all such net proceeds to certain permitted purposes, including the repayment of secured indebtedness, capital expenditures, repayment of unsecured indebtedness, acquire all or substantially all of the assets or, or the capital stock of, a person primarily engaged in a permitted business; provided, that in the case of the acquisition of capital stock of any person, such person is or becomes a subsidiary of the Company.

For purposes of this covenant: a Permitted Asset Sale includes certain specified asset sales, certain vessel losses not to exceed 10% of the consolidated aggregate market value of our assets and any transaction or series of transactions involving assets disposed of for fair market value and having an aggregate market value in any one fiscal year of up to 25% of the consolidated aggregate market value of our assets; and a Limited Permitted Asset Sale includes any transaction or series of transactions during a single fiscal year, the net proceeds of which are not otherwise applied pursuant to the requirements set forth in this clause (d), that results in net proceeds in excess of 25% of the consolidated aggregate market value of our assets.

As of December 31, 2017, we were in compliance with the financial covenants of our Senior Notes.

If a Limited Permitted Asset Sale occurs, we must make an offer to purchase our Senior Notes having a principal amount equal to the excess proceeds of such Limited Permitted Asset Sale at a purchase price of 101% of the principal amount of our Senior Notes to be purchased, plus accrued and unpaid interest.

In addition, if a Change of Control (as defined in the indenture for the Senior Notes) occurs, holders of our Senior Notes have the right, at their option, to require us to purchase any or all of such holders' Senior Notes at a purchase price of 101% of the principal amount of our Senior Notes to be purchased, plus accrued and unpaid interest.

In addition, if an event of default or an event or circumstance which, with the giving of any notice or the lapse of time, would constitute an event of default under our Senior Notes has occurred and is continuing, or we are not in compliance with the covenant described under Limitation on Borrowings or Limitation on Minimum Tangible Net Worth described above, then none of the Company or any subsidiary will be permitted to declare or pay any dividends or return any capital to its equity holders (other than the Company or a wholly-owned subsidiary of the Company) or authorize or make any other distribution, payment or delivery of property or cash to its equity holders (other than the Company or a wholly-owned subsidiary of the Company), or redeem, retire, purchase or otherwise acquire, directly or indirectly, for value, any interest of any class or series of its equity interests (or acquire any rights, options or warrants relating thereto but not including convertible debt) now or hereafter outstanding and held by persons other than the Company or any wholly-owned subsidiary, or repay any subordinated loans to equity holders (other than the Company or a wholly-owned subsidiary of the Company) or set aside any funds for any of the foregoing purposes.

In December 2016, our Board of Directors authorized the repurchase of up to $20.0 million of the outstanding Senior Notes in open market or privately negotiated transactions. The specific timing and amounts of the repurchases, which will be funded by available cash, will be in the sole discretion of management and vary based on market conditions and other factors. This authorization has no expiration date. As of December 31, 2017, the full $20.0 million remains available for repurchases under this authorization.

C. Research and Development, Patents and Licenses, Etc.

Not applicable

D. Trend Information

See "Item 4. Information on the Company - B. Business Overview - Industry and Market Conditions."

E. Off-Balance Sheet Arrangements

As of December 31, 2017, we did not have any off-balance sheet arrangements. Currently, we are committed to make charter-hire payments to a third party for a chartered-in vessel. This arrangement is accounted for as an operating lease. Please see "Tabular Disclosure of Contractual Obligations" for our other contractual obligations and commitments.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our total contractual obligations at December 31, 2017:

(in millions of U.S. dollars)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Vessels under construction [1]	$ 18.8	$ —	$ —	$ —	$ 18.8
Time charter-in commitments [2]	3.7	2.8	—	—	6.5
Senior Notes [3]	—	73.6	—	—	73.6
Bank loans [4]	48.1	254.5	270.9	64.2	637.7
Interest payments [5]	34.4	54.6	14.6	0.9	104.5
Financing obligation [6]	2.0	3.9	3.9	9.5	19.3
Commercial management fee [7]	3.1	—	—	—	3.1
Technical management fee [8]	5.6	—	—	—	5.6
Total	$ 105.0	$ 385.5	$ 285.5	$ 65.1	$ 841.1

(1) Represents the unpaid installments as of December 31, 2017 relating to a vessel under construction. Of the total $25.5 million purchase price, $18.8 million remains unpaid as of the date of this filing.

(2) Represents the amounts expected to be paid by us on the vessel that we have time chartered-in as of December 31, 2017, assuming we redeliver the vessel to its owner on the earliest redelivery date.

(3) Represents the repayment of our Senior Notes which mature in September 2019.

(4) Represents the repayment of installments under the bank loans outstanding as of December 31, 2017.

(5) Represents the interest payments on outstanding balances of our Senior Notes at 7.50% per annum and bank loans at the interest rates in effect at December 31, 2017.

(6) Represents the monthly payments of $164,250 under a nine and a half year bareboat charter agreement entered into as part of the sale and leaseback of the SBI Rumba.

(7) Represents the fixed component of the termination fees we would have to pay our commercial manager, SCM, of $300 per day for a notice period of three months' and a payment equal to three months of management fees for each vessel that we own and each vessel under construction as of December 31, 2017. Due to the variable nature of the commissions, they have been excluded from the above table.

(8) Represents the termination fees we would have to pay our technical manager, SSM, of $0.2 million per vessel per year for a notice period of three months' and a payment equal to three months of management fees for each vessel that we own and each vessel under construction as of December 31, 2017.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three year term or 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 Class B directors will serve for a term expiring at the 2018 annual meeting of shareholders, our Class C directors will serve for a term expiring at the 2019 annual meeting, and our Class A directors will serve for a term expiring at the 2020 annual meeting. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected. The business address of each of our directors and executive officers listed below is Scorpio Bulkers Inc., 9, Boulevard Charles III, MC 98000 Monaco.

Name	Age	Position
Emanuele A. Lauro	39	Chairman, Class A Director and Chief Executive Officer
Robert Bugbee	57	Class B Director and President
Cameron Mackey	49	Chief Operating Officer
Filippo Lauro	41	Vice President
Hugh Baker	50	Chief Financial Officer
Roberto Giorgi	67	Class A Director
Einar Michael Steimler	69	Class B Director
Christian M. Gut	38	Class C Director
Thomas Ostrander	67	Class A Director
James B. Nish	59	Class C Director
Anoushka Kachelo	37	Secretary

On September 25, 2017, Mr. Luca Forgione resigned as General Counsel of the Company, with an effective date of on or around November 10, 2017.

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

Emanuele A. Lauro, *Chairman and Chief Executive Officer*

Emanuele A. Lauro, the Company's co-founder, has served as our Chairman and Class A Director since April 9, 2013 and as our Chief Executive Officer since July 1, 2013. Mr. Lauro has also served as Chairman and Chief Executive Officer of Scorpio Tankers (NYSE: STNG) since its initial public offering in April 2010, and as Director of the Standard Club since May 2013. He joined Scorpio Group in 2003 and has continued to serve there in a senior management position since 2004. Under Mr. Lauro's leadership, Scorpio Group has grown from an owner of three vessels in 2003 to become a leading operator and manager of approximately 230 vessels in 2017. Over the course of the last several years, Mr. Lauro has founded and developed all of the Scorpio Group Pools in addition to several other ventures such as Scorpio Logistics, which owns and operates specialized assets engaged in the transshipment of dry cargo commodities and invests in coastal transportation and port infrastructure developments in Asia and Africa since 2007. Mr. Lauro has a degree in international business from the European Business School, London. Mr. Lauro is the brother of our Vice President, Mr. Filippo Lauro.

Robert Bugbee, *President and Director*

Robert Bugbee, the Company's co-founder, has served as our Class B Director since April 9, 2013 and as our President since July 1, 2013. Mr. Bugbee has more than 30 years of experience in the shipping industry. Mr. Bugbee has also served as President and Director of Scorpio Tankers since its initial public offering in April 2010. He joined Scorpio Group in March 2009 and has continued to serve there in a senior management position. Prior to joining Scorpio Group, Mr. Bugbee was a partner at Ospraie Management LLP between 2007 and 2008, a company which advises and invests in commodities and basic industry. From 1995 to 2007, Mr. Bugbee was employed at OMI Corporation, or OMI, a NYSE-listed tanker company sold in 2007. While at OMI, Mr. Bugbee served as President from January 2002 until the sale of the company, and before that served as Executive Vice President since January 2001, Chief Operating Officer since March 2000 and Senior Vice President from August 1995 to June 1998. Mr. Bugbee joined OMI in February 1995. Prior to this, he was employed by Gotaas-Larsen Shipping Corporation since 1984. During this time he took a two year sabbatical from 1987 for the M.I.B. Program at the Norwegian School for Economics and Business administration in Bergen. He has a B.A. (Honors) from London University.

Cameron Mackey, *Chief Operating Officer*

Cameron Mackey has served as our Chief Operating Officer since July 1, 2013. Mr. Mackey has also served as Chief Operating Officer of Scorpio Tankers since its initial public offering in April 2010 and as a Director since May 2013. He joined Scorpio Group in March 2009, where he continues to serve in a senior management position. Prior to joining Scorpio Group, he was an equity and commodity analyst at Ospraie Management LLC from 2007 to 2008. Prior to that, he was Senior Vice President of OMI Marine Services LLC from 2004 to 2007, where he was also in Business Development from 2002 to 2004. He has been employed in the shipping industry since 1994 and, earlier in his career, was employed in unlicensed and licensed positions in the merchant navy, primarily on tankers in the international fleet of Mobil Oil Corporation, where he held the qualification of Master

Mariner. He has an M.B.A. from the Sloan School of Management at the Massachusetts Institute of Technology, a B.S. from the Massachusetts Maritime Academy and a B.A. from Princeton University.

Filippo Lauro, *Vice President*

Filippo Lauro has served as an executive officer of the Company with the title of Vice President since June 8, 2016. Mr. Filippo Lauro has also served as Vice President of Scorpio Tankers since May 2015. He joined Scorpio Group in 2010 and has continued to serve there in a senior management position. Prior to joining Scorpio Group, Mr. Filippo Lauro was the founder of and held senior executive roles in several private companies, primarily active in real estate, golf courses and resorts development. Mr. Filippo Lauro is the brother of our Chairman and Chief Executive Officer, Mr. Emanuele Lauro.

Hugh Baker, *Chief Financial Officer*

Hugh Baker has served as our Chief Financial Officer since July 1, 2013. Since 2012, Mr. Baker has also been employed by Scorpio Tankers focusing on business development and finance. For three years before joining Scorpio, Mr. Baker was a Managing Director in the investment banking team at Evercore Partners in New York, concentrating on the shipping industry. Prior to Evercore, he was the Head of Shipping at HSH Nordbank in New York and was previously a Managing Director in the ship finance team at ING Bank in London. Prior to banking, Mr. Baker worked in commercial roles for Greek-owned shipping companies in London. Mr. Baker has a BA from the London School of Economics and a MSc in Shipping, Trade & Finance from Cass Business School. Mr. Baker is a Fellow of the Institute of Chartered Shipbrokers.

Roberto Giorgi, *Director*

Roberto Giorgi has served as our Class A Director since the closing of our initial public offering in December 2013. Mr. Giorgi has also served as Chairman of Fraser Yachts since September 2014 and as a committee member of Skuld P&I Club since June 2013. From 2014 to 2015, he served as Honorary President and member of the Group Executive of V.Ships, the world's largest ship management company. From 1988 to 2014, Mr. Giorgi has held various roles within V.Ships, including President of V.Ships Ship Management, Managing Director of V.Ships New York, head of V.Ships Leisure in the cruise sector, and head of V.Ship's ship management operation from its Monaco office. From 2008 to 2010, Mr. Giorgi also served as President of InterManager, the international trade association for third-party and in-house ship managers, whose members between them are responsible for approximately 3,700 ships and more than 200,000 crew members. Prior to joining the V.Ships Group, he attended the San Giorgio Nautical College in Genoa (1964 - 1969) and sailed from Deck Cadet to First Officer with Navigazione Alta Italia, Italian line and Sitmar Cruises. Before joining the merchant marine, he spent one year (1970/71) in the Naval Academy of Leghorn and sailed with the Italian Navy as Lieutenant.

Einar Michael Steimler, *Director*

Einar Michael Steimler has served as our Class B Director since the closing of our initial public offering in December 2013 and is our lead independent director. Mr. Steimler has also served as a director of DHT Holdings Inc. (NYSE:DHT), where he is also a member of the Nominating and Corporate Governance Committees, and the Chairman of the Compensation Committee. Mr. Steimler has over 45 years of experience in the shipping industry. In 2000, he was instrumental in the formation of Tanker (UK) Agencies, the commercial agent to Tankers International. He served as its Chief Executive Officer until the end of 2007, and subsequently as its Chairman until 2011. From 1998 to 2010, Mr. Steimler served as a Director of Euronav NV (EURN:EN Brussels). He has been involved in both sale and purchase and chartering brokerage in the tanker, gas and chemical sectors and was a founder of Stemoco, a Norwegian ship brokerage firm. He graduated from the Norwegian School of Business Management in 1973 with a degree in Economics.

Christian M. Gut, *Director*

Christian M. Gut has served as our Class C Director since the closing of our initial public offering in December 2013. Mr. Gut is the founder and manager of P2P Lending Fund, a Luxembourg based fund (SICAV-RAIF) launched in 2018 focused on marketplace consumer lending. He has over twelve years of experience in the consulting industry in the Asia Pacific region. Mr. Gut started his professional career at ThyssenKrupp Technologies AG (as it then was) in Essen, Germany in 2002. He later joined Singapore based EABC Pte Ltd., or EABC, in 2003 where he served as Director from 2006 to 2018. EABC's services comprise market intelligence and strategy, sales promotion and support to project management in selected Asia Pacific countries, principally Australia. Furthermore, Mr. Gut co-founded and was a past manager of the Stellar Energy Fund, launched in Singapore in 2006, which invested in energy focused private companies to finance projects and expansion plans in Asia, Middle East and Europe in the following industries: oil trading and bunkering, gas E&P, solar, geothermal and power generating heat plants. Mr. Gut has a Bachelor's degree in international business from the European Business School in London.

Thomas Ostrander, *Director*

Thomas Ostrander has served as our Class A director since January 2016. From 2013 to 2015, Mr. Ostrander served as Chief Financial Officer of U.S. Alliance Paper Inc., a privately held business involved in consumer tissue converting and marketing in the eastern half of the United States. From 2011 to 2013, he served as a Managing Director at GCA Savvian, a global investment bank. From 2006 to 2008, Mr. Ostrander served as a Managing Director and Sector Head in the Industrial Group at Banc of America Securities. From 1989 to 2006, he held various roles within Citigroup (legacy Salomon Brothers), where he was most recently Chairman of the Global Industrial Group for North America. Prior to that, he was Head of the Global Industrial Group for North America and Co-Head of the Global group. From 1976 to 1989, he served in various roles, including as a Managing Director, and he was a member of the Board of Directors of New York based Kidder Peabody & Co., where he also was Co-Founder and Co-Head of Equity Capital Markets. Furthermore, Mr. Ostrander was a Director of Westmoreland Coal Company for over 12 years, where he served as Chairman of the Corporate Governance Committee and was a member of the Audit, Compensation and Benefits, Finance and Nominating Committees. Mr. Ostrander has an MBA from Harvard Business School and an AB from the University of Michigan in Economics and Accounting.

James B. Nish, *Director*

James B. Nish has served as our Class C director since January 2016. Mr. Nish has 28 years of experience in investment banking, serving clients across a variety of international industrial markets. He also serves as a Board member and Chairman of the Audit Committee of Gibraltar Industries, Inc. (NASDAQ: ROCK), a manufacturer and distributor of products for building markets, a position he has held since 2015, and has served as a Board member of the CSG Group since 2014, a private company that provides security alarm monitoring and related home automation services to subscribers in the United States. From 2008 to 2012, Mr. Nish was Group Head of Middle Corporate Investment Banking at J.P. Morgan. From 1986 to 2008, he served as Co-Chairman of the Investment Banking Commitment Committee and Group Head of the General Industries Group of Bear Stearns & Co. Inc., where he organized and managed investment banking coverage of a diversified group of industrial companies. Mr. Nish is a Certified Public Accountant and Adjunct Professor in both the Undergraduate Business School and MBA Programs at Baruch College, Zicklin School of Business in New York and at Pace University, Lubin School of Business in New York, where he teaches a number of courses in both the Accounting and Finance departments. Mr. Nish has an MBA from the Wharton School at the University of Pennsylvania and a BS from the State University of New York at Buffalo in Accounting and Business.

Anoushka Kachelo, *Secretary*

Anoushka Kachelo has served as our Secretary since December 18, 2013. Mrs. Kachelo also serves as Secretary of Scorpio Tankers. She joined Scorpio Group in September 2010 as Senior Legal Counsel. Mrs. Kachelo is a Solicitor of the Supreme Court of England & Wales and has worked in the fields of commodity trading, energy and asset finance. Prior to joining the Scorpio Group, Mrs. Kachelo was Legal Counsel for the Commodities Team at JPMorgan (London) and prior to that in private practice for the London office of McDermott Will & Emery and Linklaters. She has a BA in Jurisprudence from the University of Oxford (U.K.).

B. Compensation

Each of our non-employee directors receive cash compensation in the aggregate amount of $60,000 annually, plus either (i) an additional fee of $10,000 per year for each committee on which a director serves or (ii) an additional fee of $20,000 per year for each committee for which a director serves as Chairman. In addition, our lead independent director receives an additional fee of $20,000 per year. All actual expenses incurred while acting in their capacity as a director are reimbursed. For each board or committee meeting the non-employee director attends, the director receives $2,000. We do not have a retirement plan for our officers or directors. For the year ended December 31, 2017, we paid an aggregate compensation to our directors and senior management of approximately $5.0 million.

Executive Officers

We have employment agreements with the majority of our executive officers. These employment agreements remain in effect until terminated in accordance with their terms upon no less than 24 months prior written notice. Pursuant to the terms of their respective employment agreements, our executive officers are prohibited from disclosing or unlawfully using any of our material confidential information.

Upon a change in control of us, the annual bonus provided under the employment agreement becomes a fixed bonus of between 150% and 250% of the executive's base salary, depending on the terms of the employment agreement applicable to each executive.

Any such executive may be entitled to receive upon termination an assurance bonus equal to such fixed bonus and an immediate lump-sum payment in an amount equal to up to three times the sum of the executive's then current base salary and the assurance bonus. If an executive's employment is terminated for cause or voluntarily by the employee, he shall not be entitled to any salary, benefits or reimbursements beyond those accrued through the date of his termination, unless he voluntarily terminated his employment in connection with certain conditions. Those conditions include a change in control combined with a significant geographic relocation of his office, a material diminution of his duties and responsibilities, and other conditions identified in the employment agreement.

We believe that it is important to align the interests of our directors and management with that of our shareholders. In this regard, we have determined that it will generally be beneficial to us and to our shareholders for our directors and management to have a stake in our long-term performance. We expect to have a meaningful component of our compensation package for our directors and management consist of equity interests in us in order to provide them on an on-going basis with a meaningful percentage of ownership in us.

Equity Incentive Plan

Our board of directors has adopted an equity incentive plan, which we refer to as the Equity Incentive Plan, under which directors, officers and employees of us and our subsidiaries, as well as employees of affiliated companies are eligible to receive incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common shares. As of December 31, 2017, we had reserved a total of 4,742,612 common shares, for issuance under the Equity Incentive Plan, subject to adjustment for changes in capitalization as provided in the Equity Incentive Plan. Our Equity Incentive Plan is administered by our Compensation Committee.

Under the terms of the Equity Incentive Plan, stock options and stock appreciation rights granted under the Equity Incentive Plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. 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, forfeiture and other terms and conditions as determined by the plan administrator.

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 Equity Incentive 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 or terminate the Equity Incentive Plan and may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholder approval of Equity Incentive Plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the Equity Incentive Plan will expire ten years from the date the Equity Incentive Plan is adopted.

On February 2, 2018, we granted 646,182 restricted shares with an aggregate fair value of $4.8 million to our officers, employees, members of our board of directors and SSH employees pursuant to the Equity Incentive Plan. These awards will vest in three equal annual installments beginning on December 9, 2019.

On June 1, 2017, we granted 150,000 restricted shares with an aggregate fair value of $0.9 million to our independent directors pursuant to the Equity Incentive Plan. These awards will vest in three equal annual installments beginning on the first anniversary of the date of grant.

On July 28, 2016, we granted 2,265,000 restricted shares to our officers, employees, members of our board of directors and SSH employees pursuant to the Equity Incentive Plan. Of these restricted shares, 150,000 restricted shares vest in three equal annual installments beginning June 5, 2017 and 2,115,000 restricted shares vest in three equal annual installments beginning on June 5, 2018. The aggregate fair value of these awards is $7.4 million.

Compensation cost is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Please see Note 10, *Equity Incentive Plan*, to our Consolidated Financial Statements included herein for additional information.

C. Board Practices

Our board of directors currently consists of seven directors, five of whom have been determined by our board of directors to be independent under the rules of the NYSE and the rules and regulations of the SEC. Mr. Steimler is our lead independent director. Our board has an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. During 2017 Messrs. Steimler and Gut stepped down from our Audit Committee and our Audit Committee is now comprised of Messrs. Ostrander, Giorgi and Nish. Our Nominating and Corporate Governance Committee and our Compensation Committee are comprised of Messrs. Steimler, Giorgi and Gut. The Audit Committee, which operates under a charter, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities, procedures and the adequacy of our internal controls. In addition, provided that no member of the Audit Committee has a material interest in such transaction, the Audit Committee is responsible for reviewing transactions that we may enter into in the future with other members of the Scorpio Group that our board believes may present potential conflicts of interests between us and the Scorpio Group. The Nominating and Corporate Governance Committee is responsible for recommending to the board of directors nominees for director and directors for appointment to board committees and advising the board with regard to corporate governance practices. The Compensation Committee oversees our equity incentive plan and recommends director and senior employee compensation. Our shareholders may also nominate directors in accordance with procedures set forth in our bylaws.

D. Employees

For the years ended December 31, 2017, 2016, and 2015 we had six, three and four full time equivalents (excluding our executive officers), respectively.

Our executive officers are employed by us and our support staff is provided by SSH pursuant to the Amended Administrative Services Agreement. Our technical manager, SSM, is responsible for identifying, screening and recruiting, directly or through a crewing agent, the officers and all other crew members for our vessels that are employed by our vessel-owning subsidiaries.

E. Share ownership

The common shares beneficially owned by our directors and our executive officers are disclosed in “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.”

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

A. Major shareholders.

The following table sets forth information regarding beneficial ownership of our common shares for (i) owners of more than five percent of our common shares and (ii) our directors and executive officers, of which we are aware as of February 15, 2018. All of our shareholders, including the shareholders listed in the table below, are entitled to one vote for each share of our common stock held.

Name	No. of Shares		% Owned [1]
Scorpio Services Holding Limited	13,977,513	(2)	18.1%
GRM Investments Ltd.	12,839,328	(3)	16.6%
Evermore Global Advisors, LLC *	6,324,477	(4)	8.2%
Directors and executive officers as a group	3,547,840		4.6%

(1) Calculated based on 77,141,140 common shares outstanding as of February 15, 2018.

(2) This information is derived from a Schedule 13D/A filed with the SEC on June 23, 2017 adjusted for additional common shares issued to SSH as payment for fees pursuant to the Amended Administrative Services Agreement and shares subsequently purchased by SSH in the open market. Ms. Annalisa Lolli-Ghetti may be deemed to be the beneficial owner of these shares by virtue of being the majority shareholder of SSH. Emanuele Lauro, our Director and Chief Executive Officer, Robert Bugbee, our Director and President, and Cameron Mackey, our Chief Operating Officer, own 10%, 10% and 7% of SSH, respectively.

(3) This information is derived from Schedule 13G/A filed with the SEC on July 25, 2017.

(4) This information is derived from Schedule 13G/A filed with the SEC on January 23, 2018.

* Includes common shares held by funds managed thereby.

As of February 15, 2018, we had 71 shareholders of record, 12 of which were located in the United States and held an aggregate of 72,705,769 shares of our common stock, representing 94.3% 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 70,667,878 shares of our common stock, as of that date. Accordingly, we believe that the shares held by Cede & Co. include common shares beneficially owned by both holders in the United States and non-U.S. beneficial owners. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

B. Related Party Transactions

Management of Our Fleet

Commercial and Technical Management Agreements - Revised Master Agreement

Our vessels are commercially managed by SCM and technically managed by SSM pursuant to the Revised Master Agreement, which may be terminated by either party upon 24 months' notice, unless terminated earlier in accordance with the provisions of the Revised Master Agreement. In the event of the sale of one or more vessels, a notice period of three months' and a payment equal to three months of management fees will apply, provided that the termination does not amount to a change of control, including a sale of substantially all vessels, in which case a payment equal to 24 months of management fees will apply. SCM and SSM are companies affiliated with us. The vessel we charter-in is also commercially managed by SCM. We expect that additional vessels that we may charter-in or acquire in the future, including the newbuilding vessel to be delivered to us during the middle of 2018, will also be managed under the Revised Master Agreement or on substantially similar terms.

SCM's services include securing employment for our vessels in the spot market and on time charters. SCM also manages the Scorpio Group Pools in which our vessels are employed. For commercial management of any of our vessels that does not operate in one of these pools, we pay SCM a daily fee of $300 per vessel, plus a 1.75% commission on the gross revenues per charter fixture. The Scorpio Group Pool participants, including us and third-party owners of similar vessels, are each expected to pay SCM a pool management fee of $300 per vessel per day, plus a 1.75% commission on the gross revenues per charter fixture.

SSM's services include providing technical support, such as arranging the hiring of qualified officers and crew, supervising the maintenance and performance of vessels, purchasing supplies, spare parts and new equipment, arranging and supervising drydocking and repairs, and monitoring regulatory and classification society compliance and customer standards. We pay SSM an annual fee of $160,000 plus charges for certain itemized services per vessel to provide technical management services for each of our owned vessels. In addition, representatives of SSM, including certain subcontractors, provide us with construction supervisory services while our vessels are being constructed in shipyards. For these services, we compensate SSM for its direct expenses, which can vary between $200,000 and $500,000 per vessel.

Amended Administrative Services Agreement

In 2016, we entered into the Amended Administrative Services Agreement with SSH for the provision of administrative staff, office space and accounting, legal compliance, financial and information technology services. SSH is a company affiliated with us. The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group. Pursuant to the Amended Administrative Services Agreement, we reimburse SSH for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above.

SSH also arranges vessel sales and purchases for us. We previously paid SSH a fee, payable in our common shares, for arranging vessel acquisitions, including newbuildings. The amount of common shares payable was determined by dividing $250,000 by the market value of our common shares based on the volume weighted average price of our common shares over the 30 trading day period immediately preceding the contract date of a definitive agreement to acquire any vessel. As of the date of this annual report, we issued an aggregate of 180,716 common shares to SSH in connection with the deliveries of newbuilding vessels. In November 2014, SSH agreed to waive its fee on vessel acquisitions contracted after November 20, 2014, for so long as the closing price of our common shares remained below a specified threshold. Effective September 29, 2016, pursuant to the terms of the Amended Administrative Services Agreement, we agreed with SSH to eliminate this fee on all future acquisitions.

SSH has agreed with us not to own any drybulk carriers greater than 30,000 dwt for so long as the Amended Administrative Services Agreement is in full force and effect. This agreement may be terminated by SSH upon 12 months' prior written notice or by us with 24 months' notice.

For the years ended December 31, 2017, 2016 and 2015, we had the following balances with entities controlled by the Lolli-Ghetti family and with Scorpio Tankers (herein referred to as "related parties"), which have been included in the consolidated statement of operations (amounts in thousands):

	For the year ended December 31,		
	2017	**2016**	**2015**
Vessel revenue			
Scorpio Kamsarmax Pool	$ 67,825	$ 31,319	$ 25,151
Scorpio Ultramax Pool	94,380	46,227	26,338
Scorpio Capesize Pool	—	—	4,857
SCM	—	856	718
Total vessel revenue	$ 162,205	$ 78,402	$ 57,064
Voyage expense			
SCM	$ 172	$ 319	$ 664
Vessel operating cost:			
SSM	$ 9,379	$ 7,191	$ 2,765
General and administrative expense:			
SCM	$ 108	$ 43	$ 258
SSH	5,643	3,949	1,265
Scorpio UK Limited	971	862	486
Total general and administrative expense	$ 6,722	$ 4,854	$ 2,009
Write down on assets held for sale			
SCM	$ 147	$ 500	$ 12,465
SSM	200	500	13,000
Total write down on assets held for sale	$ 347	$ 1,000	$ 25,465

At December 31, 2017 and 2016, we had the following balances with related parties, which have been included in the consolidated balance sheets (amounts in thousands):

	As of December 31,	
	2017	**2016**
Assets		
Due from related parties-current:		
Scorpio Kamsarmax Pool	$ 3,977	$ 2,579
Scorpio Ultramax Pool	2,578	1,661
Total due from related parties-current	**$ 6,555**	**$ 4,240**
Due from related parties non-current:		
Scorpio Kamsarmax Pool	$ 5,080	$ 4,606
Scorpio Ultramax Pool	10,741	6,633
Total due from related parties non-current	**$ 15,821**	**$ 11,239**
Liabilities		
Due to related parties-current:		
SCM	$ —	$ 507
SSM	69	209
SSH	297	321
Total due from related parties-current	**$ 366**	**$ 1,037**

Please see "Item 3. Key Information - D. Risk Factors - Risks Related to our Relationship with Scorpio Group and its Affiliates".

Related Party Share Issuances

On June 20, 2016, we issued 23.0 million common shares, par value $0.01 per share, at $3.05 per share in an underwritten public offering. SSH purchased an aggregate of approximately 5.3 million common shares at the public offering price.

On March 22, 2016, we issued 21.0 million common shares, par value $0.01 per share, at $3.00 per share in an underwritten public offering. SSH and certain of our directors purchased an aggregate of approximately 5.0 million common shares at the public offering price.

On June 16, 2015, we issued approximately 11.1 million common shares, par value of $0.01 per share at $18.00 per share in an underwritten public offering. SSH and certain of our executive officers purchased an aggregate of approximately 0.8 million common shares at the public offering price. On June 23, 2015, underwriters exercised their option to purchase approximately 1.7 million additional common shares in connection with the public offering.

For information on additional share issuances under the Equity Incentive Plan see “Item 6. Directors, Senior Management and Employees - B. Equity Incentive Plan.”

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements.”

Legal Proceedings

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our 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 financial position, results of operations or liquidity.

Dividend Policy

The declaration and payment of dividends is subject at all times to the discretion of our board of directors. The timing and amount of dividends, if any, depends on, among other things, our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors.

We are a holding company with no material assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to pay dividends, if any, depends on our subsidiaries and their ability to distribute funds to us. Our credit facilities have restrictions on our ability, and the ability of certain of our subsidiaries, to pay dividends in the event of a default or breach of covenants under the credit facility agreement. Under such circumstances, we or our subsidiaries may not be able to pay dividends so long as we are in default or have breached certain covenants of the credit facility without our lender’s consent or waiver of the default or breach. In addition, Marshall Islands law generally prohibits the payment of dividends (i) 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 (ii) when a company is insolvent or (iii) if the payment of the dividend would render the company insolvent.

In addition, we may incur expenses or liabilities, including extraordinary expenses, decreases in revenues, including as a result of unanticipated off-hire days or loss of a vessel, or increased cash needs that could reduce or eliminate the amount of cash that we have available for distribution as dividends.

During the fourth quarter of 2017, our Board of Directors declared and we paid a quarterly cash dividend of $0.02 per share totaling approximately $1.5 million in the aggregate. In February 2018, our Board of Directors declared a quarterly cash dividend of $0.02 per share, payable on or about March 15, 2018, to all shareholders of record as of February 15, 2018. Please see “Item 10. Additional Information - E. Taxation” for additional information relating to the U.S. federal income tax treatment of our dividend payments, if any are declared in the future.

B. Significant Changes.

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

ITEM 9. OFFER AND THE LISTING

A. Offer and Listing Details.

Our common shares have traded on the NYSE since December 12, 2013 under the symbol "SALT." In addition, during the period from July 3, 2013 through July 31, 2014, our common shares minimally traded on the Norwegian OTC under the symbol "SALT." The following table sets forth the high and low closing prices for our common shares for the periods indicated, as reported by the NYSE.

All share prices have been adjusted to account for the one-for-twelve reverse stock split effected on December 31, 2015.

	NYSE	
For the Fiscal Year Ended	**High (U.S.$)**	**Low (U.S.$)**
December 31, 2017	$ 9.8	$ 5.65
December 31, 2016	8.34	1.84
December 31, 2015	33.12	7.20
December 31, 2014	126.96	22.92
December 31, 2013 (beginning December 12, 2013)	120.60	112.56

	NYSE	
For the Quarter Ended	**High (U.S.$)**	**Low (U.S.$)**
December 31, 2017	$ 8.70	$ 6.75
September 30, 2017	8.40	6.55
June 30, 2017	9.80	5.80
March 31, 2017	9.70	5.65
December 31, 2016	5.80	3.39
September 30, 2016	3.99	2.91
June 30, 2016	4.20	2.65
March 31, 2016	8.34	1.84

	NYSE	
For the Month	**High (U.S.$)**	**Low (U.S.$)**
February 2018	$ 8.25	$ 7.08
January 2018	8.45	7.40
December 2017	7.70	7.20
November 2017	8.20	7.10
October 2017	8.70	6.75
September 2017	7.95	6.85
August 2017	8.40	7.20

B. Plan of Distribution

Not applicable

C. Markets

Our common shares have traded on the NYSE, since December 12, 2013, under the symbol "SALT," and our Senior Notes have traded on the NYSE since September 29, 2014 under the symbol "SLTB." During the period from July 3, 2013 through July 31, 2014, our common shares minimally traded on the Norwegian OTC under the symbol "SALT."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share capital.

Not applicable.

B. Memorandum and Articles of Association.

Our Amended and Restated Articles of Incorporation and bylaws have been filed as Exhibit 3.1 and Exhibit 3.2, respectively, to our Registration Statement on Form F-1 (Registration No. 333-192246), declared effective by the SEC on December 11, 2013, and are hereby incorporated by reference into this annual report. In December 2015, upon receiving shareholder approval, we amended our Amended and Restated Articles of Incorporation to effect a one-for-twelve reverse stock split of our common shares, par value $0.01 per share, and to reduce the total number of authorized common shares to 56,250,000 shares. In June 2016, upon receiving shareholder approval, we amended our Amended and Restated Articles of Incorporation to increase the aggregate number of shares of capital stock that we are authorized to issue to One Hundred and Sixty-Two Million Five Hundred Thousand (162,500,000), consisting of One Hundred and Twelve Million Five Hundred Thousand (112,500,000) common shares, par value $0.01 per share, and Fifty Million (50,000,000) preferred shares, par value $0.01 per share. These amendments to our Amended and Restated Articles of Incorporation are filed as exhibits to this annual report.

Information regarding the rights, preferences and restrictions attaching to each class of our shares is described in the section entitled "Description of Capital Stock" in the accompanying prospectus to our Registration Statement on Form F-3 (File No. 333-222013) declared effective by the SEC on December 27, 2017, provided that since the date of such Registration Statement, our total issued and outstanding common shares has increased to 77,141,140 as of February 15, 2018.

C. Material contracts.

Attached as exhibits to this annual report are the contracts we consider to be both material and outside the ordinary course of business during the two-year period immediately preceding the date of this annual report. We refer you to "Item 4. Information on the Company", "Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources", "Item 6. Directors, Senior Management and Employees—B. Compensation" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" for a discussion of these agreements.

Other than as set forth above, there were no material contracts, other than contracts entered into in the ordinary course of business, to which we were a party during the two year period immediately preceding the date of this annual report.

D. Exchange controls.

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

E. Taxation

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations of the ownership and disposition by a U.S. Holder and a Non-U.S. Holder, each as defined below, with respect to our common shares. This discussion does not purport to deal with the tax consequences of owning common shares 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 shares as part of a straddle, hedge, conversion transaction or integrated investment, U.S. Holders whose functional currency is not the United States dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common shares, may be subject to special rules. This discussion deals only with holders who hold our common shares 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 our common shares.

Marshall Islands Tax Considerations

In the opinion of Seward & Kissel LLP, the following are the material Marshall Islands tax consequences of our activities to us and of our common shares to our shareholders. We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

U.S. Federal Income Tax Considerations

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

U.S. Federal Income Taxation of Operating Income: In General

We anticipate that we will earn substantially all our income from the hiring or leasing of vessels for use on a spot or time charter basis, from participation in a pool or from the performance of services directly related to those uses, all of which we refer to as “shipping income.”

Unless we qualify from an exemption from U.S. federal income taxation under Section 883 of the Code, or Section 883, as discussed below, a foreign corporation will be subject to U.S. federal income taxation on its “shipping income” that is treated as derived from sources within the United States, to which we refer as “U.S. source shipping income.” For U.S. federal income tax purposes, “U.S. source shipping income” includes 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.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources entirely outside the United States. Shipping income derived from sources outside the United States will not be subject to any U.S. federal income tax.

Shipping income attributable to transportation exclusively between U.S. ports is considered to be 100% derived from U.S. sources. However, we are not permitted by U.S. law to engage in the transportation that produces 100% U.S. source shipping income.

In the absence of exemption from tax under Section 883, we anticipate that our gross U.S. source shipping income would be subject to a 4% U.S. federal income tax imposed without allowance for deductions, as described below.

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

Under Section 883 and the Treasury Regulations thereunder, a foreign corporation will be exempt from U.S. federal income taxation of its U.S. source shipping income if:

(1) it is organized in a “qualified foreign country,” which is one that grants an “equivalent exemption” from tax to corporations organized in the U.S. in respect of each category of shipping income for which exemption is being claimed under Section 883; and

(2) one of the following tests is met: (A) more than 50% of the value of its shares is beneficially owned, directly or indirectly, by “qualified shareholders,” which as defined includes individuals who are “residents” of a qualified foreign country,

to which we refer as the "50% Ownership Test"; or (B) its shares are "primarily and regularly traded on an established securities market" in a qualified foreign country or in the United States, to which we refer as the "Publicly-Traded Test."

The Republic of the Marshall Islands, the jurisdiction where we are incorporated, has been officially recognized by the IRS as a qualified foreign country that grants the requisite "equivalent exemption" from tax in respect of each category of shipping income we earn and currently expect to earn in the future. Therefore, we will be exempt from U.S. federal income taxation with respect to our U.S. source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

Given the widely held nature of our common shares, we do not currently anticipate circumstances under which we would be able to satisfy the 50% Ownership Test.

Publicly-Traded Test

The Treasury Regulations promulgated 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 stock 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, which constitute our sole class of issued and outstanding stock, are "primarily traded" on the NYSE, which is an established market for these purposes.

Under the Treasury Regulations, our common shares will be considered to be "regularly traded" on an established securities market if one or more classes of our shares representing more than 50% of our outstanding stock, by both total combined voting power of all classes of stock entitled to vote and total value, are listed on such market, to which we refer as the "listing threshold." Our common shares, which constitutes our sole class of issued and outstanding stock, is listed on the NYSE. Accordingly, we will satisfy the listing threshold.

The Treasury Regulations also require that with respect to each class of stock relied upon to meet the listing threshold, (1) such class of stock 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 (2) the aggregate number of shares of such class of stock traded on such market during the taxable year must be 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 this were not the case, the Treasury Regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as is expected to be the case with our common shares, such class of stock is traded on an established securities market in the United States and such shares are regularly quoted by dealers making a market in such shares.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of shares will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of outstanding stock, to which we refer as the "5% 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 shares, or "5% Shareholders," the Treasury 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 shares. The Treasury Regulations further provide that an investment company that 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 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, qualified shareholders (as defined for purposes of Section 883) own sufficient number of shares to preclude non-qualified shareholders in such group from owning 50% or more of our common shares for more than half the number of days during the taxable year.

We believe that we satisfied the Publicly-Traded Test for the 2017 taxable year and were not subject to the 5% Override Rule, and we intend to take that position on our 2017 U.S. federal income tax returns.

Taxation in Absence of Section 883 Exemption

If the benefits of Section 883 are unavailable, our U.S. source shipping income would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, or the "4% gross basis tax regime," to the extent that such income is not considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being U.S. source

shipping income, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% (i.e., 50% of 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 U.S. federal income tax, currently imposed at rates of up to 35%. In addition, we would generally be subject to the 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 our 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:

(1) we have, or are considered to have, a fixed place of business in the United States involved in the earning of U.S. source shipping income; and

(2) 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.

We do not intend to have, or permit circumstances that would result in having, any vessel sailing 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, it is anticipated that none of our U.S. source shipping income will be treated as "effectively connected" with the conduct of a U.S. trade or business, which we refer to as ECI.

U.S. Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883, we will not be subject to U.S. federal income tax 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.

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

As used herein, the term "U.S. Holder" means a holder that for U.S. federal income tax purposes is a beneficial owner of common shares and 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 shares, 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 shares, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common shares to a U.S. Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of such 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 our common shares and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as foreign source dividend income and will generally constitute "passive category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common shares to certain non-corporate U.S. Holders will generally be treated as "qualified dividend income" that is taxable to such U.S. Holders at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the NYSE); (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (as discussed in detail

below); (3) the non-corporate U.S. Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend; and (4) certain other conditions are met.

There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of such non-corporate U.S. Holders. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a non-corporate U.S. Holder.

Special rules may apply to any "extraordinary dividend" generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis in a common share-paid by us. If we pay an "extraordinary dividend" on our common shares that is treated as "qualified dividend income," then any loss derived by certain non-corporate U.S. Holders from the sale or exchange of such common shares will be treated as long term capital loss to the extent of such dividend.

Sale, Exchange or Other Disposition of Common Shares

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares 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 shares. 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. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. Long-term capital gains of certain non-corporate U.S. Holders are currently eligible for reduced rates of taxation. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds shares in a foreign corporation classified as a "passive foreign investment company," or 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 holder holds our common shares, either

(1) 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

(2) 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.

For our 2017 taxable year and subsequent taxable years, whether we will be treated as a PFIC will depend upon the nature and extent of our operations. In making the determination as to whether we are a PFIC, we intend to treat the gross income that we derive or that we are deemed to derive from the spot chartering and time chartering activities of us or any of our subsidiaries as services income, rather than rental income. Correspondingly, 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. We believe that there is substantial legal authority supporting our 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 our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

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." As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common shares, as discussed below. If we were treated as a PFIC, a U.S. Holder will generally be required to file IRS Form 8621 with respect to its ownership of our common shares, and may be subject to

additional U.S. tax or information reporting obligations in connection with the acquisition, holding or disposition of our common shares.

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

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an "Electing Holder," the Electing Holder must report for U.S. federal income tax purposes its pro rata share of our ordinary earnings and net capital gain, if any, for each of our taxable years during which we are a PFIC that ends with or within the taxable year of the Electing Holder, regardless of whether distributions were received from us by the Electing Holder. No portion of any such inclusions of ordinary earnings will be treated as "qualified dividend income." Net capital gain inclusions of certain non-corporate U.S. Holders may be eligible for preferential capital gains tax rates. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect any income included under the QEF election. Distributions of previously taxed income will not be subject to tax upon distribution but will decrease the Electing Holder's tax basis in the common shares. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that we incur with respect to any taxable year. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A U.S. Holder would make a timely QEF election for our common shares by filing IRS Form 8621 with his U.S. federal income tax return for the first year in which he held such shares when we were a PFIC. If we determine that we are a PFIC for any taxable year, we intend to provide each U.S. Holder with information necessary for the U.S. Holder to make the QEF election described above. If we were treated as a PFIC for our 2017 taxable year, we anticipate that, based on our current projections, we would not have a significant amount of taxable income or gain that would be required to be taken into account by U.S. Holders making a QEF election effective for such taxable year.

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

If we were to be treated as a PFIC for any taxable year and, as we anticipate will 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 shares, 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 shares at the end of the taxable year over such Holder's adjusted tax basis in the common shares. 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 shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in our common shares would be adjusted to reflect any such income or loss amount recognized. Any gain realized on the sale, exchange or other disposition of our common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares 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

If we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a "mark-to-market" election for that year, which 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 the common shares 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 shares), and (2) any gain realized on the sale, exchange or other disposition of our common shares. Under these special rules:

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

(2) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income and would not be "qualified dividend income"; and

(3) 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.

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

As used herein, the term "Non-U.S. Holder" means a holder that, for U.S. federal income tax purposes, is a beneficial owner of common shares (other than a partnership) and who is not a U.S. Holder.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common shares, you are encouraged to consult your tax adviser.

Dividends on Common Shares

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received from us with respect to our common shares, 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 an applicable U.S. income tax treaty 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.

Sale, Exchange or Other Disposition of Common Shares

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

(1) the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States; in general, in the case of a Non-U.S. Holder entitled to the benefits of an applicable U.S. income tax treaty 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

(2) 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 who also meets other conditions.

Income or Gains Effectively Connected with a U.S. Trade or Business

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, dividends on the common shares and gains from the sale, exchange or other disposition of the shares, that are effectively connected with the conduct of that trade or business (and, if required by an applicable U.S. income tax treaty, is attributable to a U.S. permanent establishment), 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, in the case of a corporate Non-U.S. Holder, its earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional U.S. federal branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, and the payment of gross proceeds on a sale or other disposition of our common shares, made within the United States to a non-corporate U.S. Holder will be subject to information reporting. Such payments or distributions may also be subject to backup withholding if the non-corporate U.S. Holder:

(1) fails to provide an accurate taxpayer identification number;

(2) is notified by the IRS that it has have failed to report all interest or dividends required to be shown on its U.S. federal income tax returns; or

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

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding with respect to dividend payments or other taxable distributions on our common shares by certifying their status on an applicable IRS Form W-8. If a Non-U.S. Holder sells our common shares to or 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 the Non-U.S. Holder certifies that it is a non-U.S. person, under penalties of perjury, or it otherwise establishes an exemption. If a Non-U.S. Holder sells our common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid 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 outside the United States, if a Non-U.S. Holder sells our common shares through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that the Non-U.S. Holder is not a U.S. person and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption.

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

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

F. Dividends and paying agents.

Not applicable.

G. Statement by experts.

Not applicable.

H. Documents on display.

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

Shareholders may also request a copy of our filings at no cost, by writing to us at the following address: 9, Boulevard Charles III, Monaco, 98000 or telephoning us at + 377 9798 5715.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to the impact of interest rate changes primarily through our unhedged variable-rate borrowings. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt. As of December 31, 2017, we have variable-rate borrowings totaling $730.6 million. A one percent increase in LIBOR rates would increase our interest payments by approximately $7.3 million per year from January 1, 2018. We entered into interest rate cap agreements, in which we receive payments if floating rates rise above a specified cap rate, to help mitigate the interest rate volatility associated with the variable rate interest on the amounts outstanding. Please see Note 12, *Derivatives*, to our Consolidated Financial Statements included herein for additional information.

Spot Market Rate Risk

The cyclical nature of the tanker industry causes significant increases or decreases in the revenue that we earn from our vessels, particularly those vessels that operate in the spot market or participate in pools that are concentrated in the spot market such as the Scorpio Group Pools. Our owned and chartered-in vessels operated for 17,010 days in the spot market or in the Scorpio Group Pools during 2017. Additionally, we have the ability to remove our vessels from the pools on relatively short notice if attractive time charter opportunities arise. A $1,000 per day increase or decrease in spot rates for our operating fleet of 55 vessels would increase or decrease our operating income loss by $17.1 million on an annual basis.

Foreign Exchange Rate Risk

Our primary economic environment is the international shipping market. This market utilizes the U.S. dollar as its functional currency. Consequently, virtually all of our revenues and the majority of our operating expenses will be in U.S. dollars. However, we will incur some of our combined expenses in other currencies, particularly the Euro. The amount and frequency of some of these expenses (such as vessel repairs, supplies and stores) may fluctuate from period to period. Depreciation in the value of the U.S. dollar relative to other currencies will increase the U.S. dollar cost of us paying such expenses. The portion of our business conducted in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations.

There is a risk that currency fluctuations will have a negative effect on our cash flows. We have not entered into any hedging contracts to protect against currency fluctuations. However, we have some ability to shift the purchase of goods and services from one country to another and, thus, from one currency to another, on relatively short notice. We may seek to hedge this currency fluctuation risk in the future.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Our controls and procedures are designed to provide reasonable assurance of achieving their objectives.

We carried out an evaluation under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15e under the Securities Act) as of December 31, 2017. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2017 to provide reasonable assurance that (1) information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

B. Management's Annual Report on Internal Control Over Financial Reporting.

In accordance with Rule 13a-15(f) of the Exchange Act, the management of the Company is responsible for the establishment and maintenance of adequate internal controls over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Management has performed an assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2017 based on the provisions of Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission or COSO in 2013. Based on our assessment, management determined that the Company's internal controls over financial reporting were effective as of December 31, 2017 based on the criteria in Internal Control—Integrated Framework issued by COSO (2013).

The Company's internal control over financial reporting, at December 31, 2017, has been audited by PricewaterhouseCoopers Audit, an independent registered public accounting firm, who also audited the Company's consolidated financial statements for that year, which are filed as a part of this annual report. PricewaterhouseCoopers Audit has issued an attestation report on management's assessment of the Company's internal control over financial reporting.

C. Attestation Report of the Registered Public Accounting Firm.

The attestation report of PricewaterhouseCoopers Audit is presented on page F-2 of the Financial Statements filed as part of this annual report.

D. Changes in Internal Control Over Financial Reporting.

None

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. James B. Nish, who serves on the Audit Committee, qualifies as an "audit committee financial expert" and that he is "independent" according to SEC rules.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Conduct and Ethics that applies to all of the Company's employees, directors, officers and agents. A copy of our Code of Conduct and Ethics, as in effect on the date hereof, has been filed as an exhibit to this annual report.

Shareholders may also request a copy of our Code of Conduct and Ethics at no cost, by writing to us at 9, Boulevard Charles III, Monaco, 98000 or telephoning us at + 377 9798 5715.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

A. Audit Fees

Our principal accountant for the years ended December 31, 2017 and December 31, 2016 was PricewaterhouseCoopers Audit, and the audit fees for those periods were $417,000 and $283,500 respectively.

B. Audit-Related Fees

During 2016, our principal accountant, PricewaterhouseCoopers Audit, provided services related to our public offerings, the fee for which was $120,100. No such services were provided during 2017.

C. Tax Fees

None.

D. All Other Fees

None.

E. Audit Committee's Pre-Approval Policies and Procedures

Our Audit Committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

F. Audit Work Performed by Other Than Principal Accountant if Greater Than 50%

Not applicable.

ITEM 16D. EXEMPTIONS FROM LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth our stock repurchase activity during 2017, including the number of shares purchased, the average price paid per share, the number of shares repurchased as part of a publicly announced plan or program and the amount yet to be used on share repurchases under the plan or program.

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program (a)	Maximum Amount that May Yet Be Expected on Share Repurchases Under the Plan or Program (a)
November 2017	1,265,448	$ 7.54	1,265,448	$ 40.5
December 2017	200,000	$ 7.33	200,000	$ 39.0
	1,465,448	$ 7.51	1,465,448	

(a) In September 2017, our Board of Directors authorized the repurchase of up to $50.0 million of our common stock in open market or privately negotiated transactions. The specific timing and amounts of the repurchases are in the sole discretion of management and may vary based on market conditions and other factors, but we are not obligated under the terms of the program to repurchase any of our common stock. The authorization has no expiration date.

The following table sets forth the stock purchase activity of affiliated purchasers during 2017, including the number of shares purchased, the average price paid per share, the number of shares repurchased as part of a publicly announced plan or program and the amount yet to be used on share repurchases under the plan or program.

Name	Period	Total Number of Common Shares Purchased (a)	Average Price Paid per Common Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount that May Yet Be Purchased Under the Plans or Programs
Scorpio Services Holding Ltd.	May 2017	315,000	$ 6.27	N/A	N/A
Robert Bugbee	May 2017	32,000	$ 6.37	N/A	N/A
Einar Michael Steimler	May 2017	10,000	$ 6.50	N/A	N/A
Scorpio Services Holding Ltd.	October 2017	150,000	$ 7.06	N/A	N/A
Scorpio Services Holding Ltd.	November 2017	350,000	$ 7.19	N/A	N/A

(a) Purchased in the open market.

In 2016, our Board of Directors authorized the repurchase of up to $20.0 million of our outstanding Senior Notes in open market or privately negotiated transactions. As of December 31, 2017, the entire $20.0 million was available.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

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

There are two significant differences between our corporate governance practices and the practices required by the NYSE. The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. Marshall Islands law and our bylaws do not require our non-management directors to regularly hold executive sessions without management. During 2017 and through the date of this annual report, our non-management directors met in executive session five times. The NYSE requires companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Marshall Islands law and we have not adopted such guidelines.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See "Item 18. Financial Statements."

ITEM 18. FINANCIAL STATEMENTS

The financial statements, together with the report of PricewaterhouseCoopers Audit thereon, beginning on page F-1, are filed as a part of this annual report.

ITEM 19. EXHIBITS

Number	Description
1.1	Amended and Restated Articles of Incorporation of the Company (1)
1.2	Amendment to the Amended and Restated Articles of Incorporation of the Company, effective December 30, 2015 (5)
1.3	Certificate of Correction to the Amended and Restated Articles of Incorporation of the Company (6)
1.4	Amendment to the Amended and Restated Articles of Incorporation of the Company, effective June 1, 2016 (7)
1.5	Amended and Restated Bylaws of the Company (1)
2.1	Form of Common Share Certificate (6)
2.2	Base Indenture, dated September 22, 2014, by and between the Company and Deutsche Bank Trust Company Americas, relating to the 7.50% Senior Notes due 2019 (3)
2.3	First Supplemental Indenture, dated September 22, 2014, by and between the Company and Deutsche Bank Trust Company Americas (3)
4.1	Master Agreement (1)
4.2	Administrative Services Agreement (1)
4.3	Equity Incentive Plan (1)
4.4	$67.5 Million Credit Facility (2)
4.5	$330.0 Million Credit Facility (2)
4.6	$39.6 Million Credit Facility (2)
4.7	$409.0 Million Credit Facility (4)
4.8	$42.0 Million Credit Facility (4)
4.9	$12.5 Million Credit Facility (6)
4.10	$27.3 Million Credit Facility (6)
4.11	Deed of Amendment to the Master Agreement, Dated September 29, 2016 (7)
4.12	Deed of Amendment to the Master Agreement, Dated November 25, 2016 (7)
4.13	First Supplemental Agreement to the $67.5 Million Senior Secured Credit Facility, dated September 14, 2015 (7)
4.14	Second Supplemental Agreement to the $67.5 Million Senior Secured Credit Facility, dated October 23, 2015 (7)
4.15	Third Supplemental Agreement to the $67.5 Million Senior Secured Credit Facility, dated April 5, 2016 (7)
4.16	Fourth Supplemental Agreement to the $67.5 Million Senior Secured Credit Facility, dated June 15, 2016 (7)
4.17	Fifth Supplemental Agreement to the $67.5 Million Senior Secured Credit Facility, dated December 27, 2016 (7)
4.18	Letter Agreement, dated September 30, 2015, relating to the $67.5 Million Senior Secured Credit Facility (7)
4.19	Letter Agreement, dated July 10, 2015, relating to the $330.0 Million Senior Secured Credit Facility (7)
4.20	Letter Agreement, dated October 27, 2015, relating to the $330.0 Million Senior Secured Credit Facility (7)
4.21	Letter Agreement, dated April 26, 2016, relating to the $330.0 Million Senior Secured Credit Facility (7)
4.22	Letter Agreement, dated June 15, 2016, relating to the $330.0 Million Senior Secured Credit Facility (7)
4.23	Letter Agreement, dated December 15, 2016, relating to the $330.0 Million Senior Secured Credit Facility (7)
4.24	Supplemental Agreement to the $39.6 Million Senior Secured Credit Facility, dated January 14, 2016 (7)
4.25	Fourth Supplemental Agreement to the $39.6 Million Senior Secured Credit Facility, dated March 29, 2016 (7)
4.26	Fifth Supplemental Agreement to the $39.6 Million Senior Secured Credit Facility, dated June 15, 2016 (7)
4.27	Sixth Supplemental Agreement to the $39.6 Million Senior Secured Credit Facility, dated December 22, 2016 (7)
4.28	First Amendment to the $409.0 Million Senior Secured Credit Facility, dated March 6, 2015 (7)
4.29	Second Amendment to the $409.0 Million Senior Secured Credit Facility, dated October 21, 2015 (7)
4.30	Third Amendment to the $409.0 Million Senior Secured Credit Facility, dated December 14, 2015 (7)
4.31	Fourth Amendment to the $409.0 Million Senior Secured Credit Facility, dated April 7, 2016 (7)
4.32	Fifth Amendment to the $409.0 Million Senior Secured Credit Facility, dated June 1, 2016 (7)
4.33	Sixth Amendment to the $409.0 Million Senior Secured Credit Facility, dated August 9, 2016 (7)

Number	Description
4.34	Seventh Amendment to the $409.0 Million Senior Secured Credit Facility, dated December 14, 2016 (7)
4.35	Letter Agreement, dated May 8, 2015, relating to the $409.0 Million Senior Secured Credit Facility (7)
4.36	Letter Agreement, dated January 8, 2016, relating to the $409.0 Million Senior Secured Credit Facility (7)
4.37	Letter Agreement, dated May 04, 2016, relating to the $42.0 Million Senior Secured Credit Facility (7)
4.38	Letter Agreement, dated June 28, 2016, relating to the $42.0 Million Senior Secured Credit Facility (7)
4.39	Letter Agreement, dated January 4, 2017, relating to the $42.0 Million Senior Secured Credit Facility (7)
4.40	Letter Agreement, dated February 25, 2016 relating to the $12.5 Million Senior Secured Credit Facility (7)
4.41	Letter Agreement, dated June 14, 2016, relating to the $12.5 Million Senior Secured Credit Facility (7)
4.42	Letter Agreement, dated December 16, 2016, relating to the $12.5 Million Senior Secured Credit Facility (7)
4.43	First Supplemental Agreement to the $27.3 Million Senior Secured Credit Facility, dated April 6, 2016 (7)
4.44	Second Supplemental Agreement to the $27.3 Million Senior Secured Credit Facility, dated June 2, 2016 (7)
4.45	Third Supplemental Agreement to the $27.3 Million Senior Secured Credit Facility, dated December 30, 2016 (7)
4.46	$85.5 Million Senior Secured Credit Facility
4.47	$38.7 Million Senior Secured Credit Facility
4.48	$19.6 Million Lease Financing
4.49	Deed of Amendment to the Master Agreement, dated February 22, 2018
8.1	List of Subsidiaries
11.1	Code of Conduct and Ethics
12.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
12.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
13.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Independent Registered Public Accounting Firm
15.2	Consent of SSY Consultancy & Research Ltd
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema
101. CAL	XBRL Taxonomy Extension Schema Calculation Linkbase
101. DEF	XBRL Taxonomy Extension Schema Definition Linkbase
101. LAB	XBRL Taxonomy Extension Schema Label Linkbase
101. PRE	XBRL Taxonomy Extension Schema Presentation Linkbase

(1) Incorporated by reference to the Company's Registration Statement on Form F-1, which was declared effective by the SEC on December 11, 2013 (File No. 333-192246).

(2) Incorporated by reference to the Company's Registration Statement on Form F-1, which was declared effective by the SEC on September 15, 2014 (File No. 333-197949).

(3) Incorporated by reference to the Company's Report on Form 6-K, filed with the SEC on September 25, 2014.

(4) Incorporated by reference to the Company's Annual Report on Form 20-F, filed with the SEC on April 2, 2015.

(5) Incorporated by reference to the Company's Report on Form 6-K, filed with the SEC on January 4, 2016.

(6) Incorporated by reference to the Company's Annual Report on Form 20-F, filed with the SEC on March 1, 2016.

(7) Incorporated by reference to the Company's Annual Report on Form 20-F, filed with the SEC on February 28, 2017.

SIGNATURES

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

Dated March 2, 2018

Scorpio Bulkers Inc.
(Registrant)

/s/ Emanuele Lauro

Emanuele Lauro
Chief Executive Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of Scorpio Bulkers Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Scorpio Bulkers Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

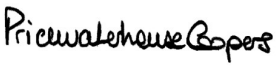
Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

PricewaterhouseCoopers Audit



PricewaterhouseCoopers is represented by PricewaterhouseCoopers Audit, 63 rue de Villiers - 92200 Neuilly-sur-Seine, France.

Marseille, France

March 2, 2018

We have served as the Company's auditor since 2013.

Scorpio Bulkers Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands, except per share data)

	As of December 31,	
	2017	**2016**
Assets		
Current assets		
Cash and cash equivalents	$ 68,535	$ 101,734
Due from related parties	6,555	4,240
Inventories	3,674	2,950
Prepaid expenses and other current assets	3,791	6,556
Total current assets	82,555	115,480
Non-current assets		
Vessels, net	1,534,782	1,234,081
Vessels under construction	6,710	180,000
Deferred financing cost, net	3,068	3,307
Other assets	474	3,050
Due from related parties	15,821	11,239
Total non-current assets	1,560,855	1,431,677
Total assets	$ 1,643,410	$ 1,547,157
Liabilities and shareholders' equity		
Current liabilities		
Bank loans, net	$ 46,993	$ 13,480
Financing obligation	1,144	—
Accounts payable and accrued expenses	10,087	10,033
Due to related parties	366	1,037
Total current liabilities	58,590	24,550
Non-current liabilities		
Bank loans, net	576,967	493,793
Financing obligation	17,747	—
Senior Notes, net	72,726	72,199
Total non-current liabilities	667,440	565,992
Total liabilities	726,030	590,542
Commitment and contingencies (Note 7)		
Shareholders' equity		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, $0.01 par value per share; authorized 112,500,000 shares; issued and outstanding 74,902,364 and 75,298,676 shares as of December 31, 2017 and December 31, 2016, respectively	762	753
Paid-in capital	1,745,844	1,714,358
Common stock held in treasury, at cost; 1,465,448 shares at December 31, 2017	(11,004)	—
Accumulated deficit	(818,222)	(758,496)
Total shareholders' equity	917,380	956,615
Total liabilities and shareholders' equity	$ 1,643,410	$ 1,547,157

See notes to the consolidated financial statements.

Scorpio Bulkers Inc. and Subsidiaries
Consolidated Statement of Operations
(Amounts in thousands, except per share data)

	For the Year Ended December 31,		
	2017	**2016**	**2015**
Revenue:			
Vessel revenue	$ —	$ —	$ 5,457
Vessel revenue-related party pools	162,205	78,402	57,064
Total vessel revenue	162,205	78,402	62,521
Operating expenses:			
Voyage expenses	257	(364)	123
Voyage expenses-related party	172	319	664
Vessel operating costs	77,285	61,641	26,607
Vessel operating costs-related party	9,379	7,191	2,765
Charterhire expense	5,392	17,356	51,389
Charterhire termination	—	10,000	—
Vessel depreciation	48,510	36,562	14,263
General and administrative expenses	22,359	29,141	33,373
General and administrative expenses-related party	6,722	4,854	2,009
Loss / write down on assets held for sale	17,354	11,433	397,472
Loss / write down on assets held for sale-related party	347	1,000	25,465
Total operating expenses	187,777	179,133	554,130
Operating loss	(25,572)	(100,731)	(491,609)
Other income (expense):			
Interest income	1,100	933	356
Foreign exchange gain (loss)	(292)	(116)	(12)
Financial expense, net	(34,962)	(24,921)	(19,524)
Total other (loss) income	(34,154)	(24,104)	(19,180)
Net loss	$ (59,726)	$ (124,835)	$ (510,789)
Weighted-average shares outstanding:			
Basic	71,794	56,174	21,410
Diluted	71,794	56,174	21,410
Loss per common share:			
Basic	$ (0.83)	$ (2.22)	$ (23.86)
Diluted	$ (0.83)	$ (2.22)	$ (23.86)

See notes to the consolidated financial statements.

Scorpio Bulkers Inc. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
(Dollars in thousands)

	Number of shares outstanding	Common stock	Paid-in capital	Treasury stock	Accumulated deficit	Total
Balance as of December 31, 2014	15,024,974	$ 1,803	$ 1,321,057	$ —	$ (122,872)	$ 1,199,988
Net loss					(510,789)	$ (510,789)
Net proceeds from common stock offering:						
Private placement	—	—	250	—	—	250
Public offering	11,083,333	1,330	188,343	—	—	189,673
Overallotment of public offering	1,662,500	200	28,230	—	—	28,430
Reverse stock split	(29)	(3,155)	3,155	—	—	—
Common Stock issued to SSH	111,725	13	2,367	—	—	2,380
Issuance of shares of restricted stock	804,058	96	(96)	—	—	—
Restricted stock amortization	—	—	24,599	—	—	24,599
Balance as of December 31, 2015	28,686,561	$ 287	$ 1,567,905	$ —	$ (633,661)	$ 934,531
Net loss					(124,835)	(124,835)
Net proceeds from common stock offering:						
Public offering	44,000,000	440	127,672	—	—	128,112
Common stock issued to SSH	51,679	—	198	—	—	198
Issuance of shares of restricted stock, net of forfeitures	2,560,436	26	(26)	—	—	—
Restricted stock amortization	—	—	18,609	—	—	18,609
Balance as of December 31, 2016	75,298,676	$ 753	$ 1,714,358	$ —	$ (758,496)	$ 956,615
Net loss					(59,726)	(59,726)
Common stock issued to SSH	12,946	—	82	—	—	82
Common stock issued purchase of vessels	910,802	9	7,368	—	—	7,377
Warrants issued for vessel purchase	—	—	12,900	—	—	12,900
Purchase of common stock for treasury	(1,465,448)	—	—	(11,004)	—	(11,004)
Cash dividends declared on common stock ($.02 per common share)	—	—	(1,509)	—	—	(1,509)
Issuance of restricted stock, net of forfeitures	145,388	—	—	—	—	—
Restricted stock amortization	—	—	12,645	—	—	12,645
Balance as of December 31, 2017	74,902,364	762	1,745,844	(11,004)	(818,222)	917,380

See notes to the consolidated financial statements.

Scorpio Bulkers Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in thousands)

	December 31,		
	2017	**2016**	**2015**
Operating activities			
Net loss	$ (59,726)	$ (124,835)	$ (510,789)
Adjustment to reconcile net loss to net cash used by operating activities:			
Restricted stock amortization	12,645	18,609	24,599
Vessel depreciation	48,510	36,562	14,263
Amortization of deferred financing costs	6,085	4,137	1,988
Write off of deferred financing costs	470	3,781	16,085
Loss / write down on assets held for sale	16,471	10,555	397,472
Loss / write down on assets held for sale-related party	—	—	25,465
Changes in operating assets and liabilities:			
Increase (decrease) in inventories, prepaid expenses and other current assets	1,982	(483)	(4,669)
Decrease (increase) in accounts payable accrued expenses	713	(6,178)	5,372
(Decrease) increase in related party balances	(7,568)	5,656	(4,928)
Net cash provided by (used in) operating activities	19,582	(52,196)	(35,142)
Investing activities			
Security deposit refunded on assets held for sale	—	—	31,277
Proceeds from sale of assets held for sale	44,340	271,376	281,050
Payments on assets classified as held for sale	—	(98,445)	(92,433)
Payments for vessels and vessels under construction	(217,033)	(408,307)	(875,970)
Net cash used by investing activities	(172,693)	(235,376)	(656,076)
Financing activities			
Proceeds from issuance of common stock	—	128,112	217,997
Common stock repurchased	(11,004)	—	—
Dividends paid	(1,509)	—	—
Proceeds from issuance of debt	287,554	247,243	489,561
Repayments of long term debt	(153,003)	(185,239)	(62,669)
Debt issue cost paid	(2,126)	(1,110)	(26,044)
Net cash provided by financing activities	119,912	189,006	618,845
Decrease in cash and cash equivalents	(33,199)	(98,566)	(72,373)
Cash and cash equivalents, beginning of period	101,734	200,300	272,673
Cash and cash equivalents, end of period	$ 68,535	$ 101,734	$ 200,300
Supplemental cash flow information:			
Interest paid	$ 27,667	$ 22,647	$ 12,874
Non-cash investing and financing activities			
Amounts payable vessels and vessels under construction	$ —	$ 207	$ 2,800
Deferred financing cost payable	—	—	85
Issuance of common stock	—	147	—
Interest capitalized	361	6,951	11,886
Issuance of shares and warrants for vessel purchases	20,268	—	—

See notes to the consolidated financial statements.

1. Organization and Basis of Presentation

Company

Scorpio Bulkers Inc. and its subsidiaries (together "we", "us", "our" or the "Company") is an international shipping company that owns and operates the latest generation newbuilding drybulk carriers with fuel-efficient specifications and carrying capacities of greater than 30,000 dwt in the international shipping markets. Scorpio Bulkers Inc. was incorporated in the Republic of the Marshall Islands on March 20, 2013.

As of December 31, 2017, the Company owned or finance leased 55 vessels (consisting of 18 Kamsarmax vessels and 37 Ultramax vessels). In addition, one Kamsarmax vessel which is being constructed at Jiangsu New Yangzijiang Shipbuilding Co Ltd in China is expected to be delivered to the Company in the middle of 2018.

Our vessels are commercially managed by Scorpio Commercial Management S.A.M., or SCM, which is majority owned by the Lolli-Ghetti family of which, Emanuele Lauro, our Chairman and Chief Executive Officer, and Filippo Lauro, our Vice President, are members. SCM's services include securing employment, in pools, in the spot market, and on time charters.

Our vessels are technically managed by Scorpio Ship Management S.A.M., or SSM, which is majority owned by the Lolli-Ghetti family. SSM facilitates vessel support such as crew, provisions, deck and engine stores, insurance, maintenance and repairs, and other services as necessary to operate the vessels such as drydocks and vetting/inspection under a technical management agreement.

We also have an administrative services agreement with Scorpio Services Holding Limited, or SSH, which is majority owned by the Lolli-Ghetti family. The administrative services provided under this agreement primarily include accounting, legal compliance, financial, information technology services, the provision of administrative staff, and office space. Under the administrative services agreement, we also reimburse SSH for any direct or indirect expenses that they incur in providing these services.

Basis of accounting

The consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for the fair presentation of results.

Other comprehensive income is net income and thus not presented separately.

Reverse stock split

On December 31, 2015, the Company effected a one-for-twelve reverse stock split. All share and per share information has been retroactively adjusted to reflect the reverse stock split. The par value was not adjusted as a result of the reverse stock split.

Going concern

The Company's revenue is primarily derived from pool revenue. The bulker shipping industry is volatile and has experienced a sustained cyclical downturn recently. While the outlook has brightened, if the recovery is not sustained, this could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The fair market values of the Company's vessels also experience high volatility. The fair market value of the vessels may increase or decrease depending on a number of factors including, but not limited to, the prevailing level of charter rates and day rates, general economic and market conditions affecting the international shipping industry, types, sizes and ages of vessels, supply and demand for vessels, availability of or developments in other modes of transportation, competition from other shipping companies, cost of newbuildings, governmental or other regulations and technological advances. In addition, as vessels grow older they generally decline in value. If the fair market value of vessels declines, the Company may not be in compliance with certain provisions of its credit facilities and it may not be able to refinance its debt. The prepayment of certain credit facilities may be necessary for the Company to maintain compliance with certain covenants in the event that the value of its vessels falls below a certain level. Additionally, if the Company sells one or more of its vessels at a time when vessel prices have fallen, the sale price may be less than the vessel's carrying value on its consolidated financial statements, resulting in a loss on sale or an impairment

loss being recognized, ultimately leading to a reduction in earnings. Furthermore, if vessel values fall significantly, this could indicate a decrease in the recoverable amount for the vessel which may result in an impairment adjustment in the carrying value of the vessel.

As described in Note 7, the Company has commitments to pay for its vessel currently under construction that may exceed the amount of financing presently secured for these which could have an adverse effect on the Company's business, financial condition, results of operations and cash flows.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements represent the consolidation of the accounts of Scorpio Bulkers Inc. and its subsidiaries in conformity with U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated companies (generally 20 to 50 percent ownership), in which the Company has the ability to exercise significant influence but neither has a controlling interest nor is the primary beneficiary, are accounted for under the equity method. Investments in entities in which the Company does not have the ability to exercise significant influence are accounted for under the cost method. Under certain criteria indicated in Accounting Standards Codification ("ASC") 810, Consolidation, a partially-owned affiliate would be consolidated as a variable interest entity when it has less than a 50% ownership if the Company was the primary beneficiary of that entity. At the present time, there are no interests in variable interest entities.

Accounting estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets, liabilities, revenues, and expenses. Actual results could differ from those results.

In addition to the estimates noted above, significant estimates include vessel valuations, useful life of vessels, and residual value of vessels.

Revenue recognition

Vessel revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, and other sales-related or value added taxes.

Vessel revenue is comprised of either pool revenue, time charter revenue and/or voyage revenue.

- Pool revenue for each vessel is determined in accordance with the profit sharing terms specified within each pool agreement. In particular, the pool manager aggregates the revenues and expenses of all of the pool participants and distributes the net earnings to participants based on:
    - the pool points (vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics are taken into consideration); and
    - the number of days the vessel participated in the pool in the period.
- Time charter revenue is recognized ratably as services are performed based on the daily rates specified in the time charter contract. We do not recognize revenue when a vessel is off hire.
- Voyage charter agreements are charter hires, where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified charter rate. Revenue from voyage charter agreements is recognized on a pro rata basis based on the relative transit time in each period. The period over which voyage revenues are recognized commences at the time the vessel departs from its last discharge port and ends at the time the discharge of cargo

at the next discharge port is completed. We do not begin recognizing revenue until a charter has been agreed to by the customer and us, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. Estimated losses on voyages are provided for in full at the time such losses become evident. In the application of this policy, we do not begin recognizing revenue until (i) the amount of revenue can be measured reliably, (ii) it is probable that the economic benefits associated with the transaction will flow to the entity, (iii) the transactions' stage of completion at the balance sheet date can be measured reliably and (iv) the costs incurred and the costs to complete the transaction can be measured reliably.

We recognize pool revenue when the vessel has participated in a pool during the period and the amount of pool revenue can be estimated reliably. We receive estimated vessel earnings based on the known number of days the vessel has participated in the pool, the contract terms, and the estimated pool revenue.

Voyage expenses

Voyage expenses, which primarily include bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions paid by us under voyage charters, brokerage commissions and miscellaneous voyage expenses that the Company is unable to recoup under time charter and pool arrangements.

Charterhire expense

Charterhire expense is the amount we pay the owner for time chartered-in vessels. The amount is usually for a fixed period of time at charter rates that are generally fixed, but may contain a variable component based on drybulk indices, inflation, interest rates, profit sharing, or current market rates. The vessel's owner is responsible for crewing and other vessel operating costs. Charterhire expense is recognized ratably over the charterhire period.

Operating leases

Costs in respect of operating leases are charged to the Consolidated Statement of Operations on a straight line basis over the lease term.

Vessel operating costs

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees, are expensed as incurred.

Technical management fees are paid to SSM (See Note 14, *Related Party Transactions*). Pursuant to an agreement, or the Master Agreement, SSM provides us with technical services, and we provide them with the ability to subcontract technical management of our vessels with our approval.

Foreign currencies

The individual financial statements of Scorpio Bulkers Inc. and each of its subsidiaries are presented in the currency of the primary economic environment in which we operate (its functional currency), which in all cases is U.S. dollars. For the purpose of the consolidated financial statements, our results and financial position are also expressed in U.S. dollars.

In preparing the financial statements of Scorpio Bulkers Inc. and each of its subsidiaries, transactions in currencies other than the U.S. dollar are recorded at the rate of exchange prevailing on the dates of the transactions. Any change in exchange rate between the date of recognition and the date of settlement may result in a gain or loss which is included in the Consolidated Statement of Operations. At the end of each reporting period, monetary assets and liabilities denominated in other currencies are retranslated into the functional currency at rates ruling at that date. All resultant exchange differences are included in the Consolidated Statement of Operations.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits, and other short-term highly-liquid investments with original maturities of three months or less, and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Inventories

Inventories, which are included in prepaid expenses and other current assets in the Consolidated Balance Sheet, consists mainly of lubricating oils, and are stated at the lower of cost or net realizable value. Cost is determined using the first in first out method.

Assets held for sale

Assets held for sale include vessels and contracts for the construction of vessels and are classified in accordance with ASC 360, *Property, Plant, and Equipment*. The Company considers such assets to be held for sale when all of the following criteria are met:

- management commits to a plan to sell the property;
- it is unlikely that the disposal plan will be significantly modified or discontinued;
- the property is available for immediate sale in its present condition;
- actions required to complete the sale of the property have been initiated;
- sale of the property is probable and we expect the completed sale will occur within one year; and
- the property is actively being marketed for sale at a price that is reasonable given its current market value.

Upon designation as an asset held for sale, the Company records the asset at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and, if the asset is a vessel, the Company ceases depreciation.

Vessels, net

Vessels, net is stated at historical cost less accumulated depreciation. Included in vessel costs are acquisition costs directly attributable to the acquisition of a vessel including capitalized interest and expenditures made to prepare the vessel for its initial voyage. Vessels are depreciated to their residual value on a straight-line basis over their estimated useful lives of 25 years from the date the vessel is ready for its first voyage. The estimated useful life of 25 years is management's best estimate and is also consistent with industry practice for similar vessels. The residual value is estimated as the lightweight tonnage of each vessel multiplied by an estimated scrap value per ton. The scrap value per ton is estimated taking into consideration the historical four years average scrap market rates at the balance sheet date.

When regulations place limitations over the ability of a vessel to trade on a worldwide basis, or when the cost of complying with such regulations is not expected to be recovered, we will adjust the vessel's useful life to end at the date such regulations preclude such vessel's further commercial use.

The carrying value of the Company's vessels does not represent the fair market value of such vessels or the amount it could obtain if it were to sell any of its vessels, which could be more or less. Under U.S. GAAP, the Company would not record a loss if the fair market value of a vessel (excluding its charter) is below our carrying value unless and until it determines to sell that vessel or the vessel is impaired as discussed below under "*Impairment of long-lived assets held for use*."

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include installment payments made to the shipyards, capitalized interest, professional fees, and other costs deemed directly attributable to the construction of the asset. Vessels under construction are not depreciated.

Deferred drydocking costs

The vessels are required to undergo planned drydocks or underwater inspections for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 30 months or 60 months depending on the nature of work and external requirements. These drydock costs are capitalized and depreciated on a straight-line basis over the estimated period until the next drydock. When the drydock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed. The Company had no drydocking activity during the three years ended December 31, 2017.

We only include in deferred drydocking those direct costs that are incurred as part of the drydocking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard; cost of travel, lodging and subsistence of personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee the drydocking. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred.

Other assets

Other assets consist primarily of deferred financing costs relating to lines of credit and loan facilities that have not yet been drawn down. As the loan facilities are drawn down, the related portion of costs incurred relating to such facilities will be reflected as a reduction to the related debt. Deferred financing costs relating to both the lines of credit and loan facilities are amortized to expense over the life of the related debt using the effective interest rate method.

Impairment of long-lived assets held for use

In accordance with ASC subtopic 360-10, *Property, Plant and Equipment*, long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset as estimated using a cash flow model. Long-lived assets to be disposed of are reporting at the lower of carrying amount or fair value less costs to sell.

In performing an impairment test of the Company's vessels, the Company compares undiscounted cash flows to the carrying values for each of the Company's vessels to determine if the assets are impaired. In developing its estimates of undiscounted cash flows, the Company makes assumptions and estimates about vessels' future performance, with the most significant assumptions relating to (i) charter rates on expiry of existing charters, which are based on the current fixing applicable to five-year time charter rates and thereafter, the ten-year historical average for each category of vessel (ii) off-hire days, which are based on actual off-hire statistics for the Company's fleet (iii) operating costs, based on current levels escalated over time based on long term trends (iv) drydocking frequency, duration and cost, (v) estimated useful life which is assessed as a total of 25 years and (vi) estimated scrap values. In the case of an indication of impairment, the results of a recoverability test would also be sensitive to the discount rate applied.

The assumptions used involve a considerable degree of estimation. Actual conditions may differ significantly from the assumptions and thus actual cash flows may be significantly different to those expected with a material effect on the recoverability of each vessel's carrying amount.

During the year ended December 31, 2017, there were no changes in circumstances or events that indicated that the carrying amount of the Company's vessels or vessel under construction may not be recoverable and therefore, an assessment of impairment was not performed. During the Company's 2016 assessment, the Company determined that the future income streams expected to be generated by the Company's vessels, including vessels under construction which are carried at balances that approximate their fair values, over their remaining operating lives on an undiscounted basis would be sufficient to recover their carrying values and, accordingly, the Company confirmed that its vessels were not impaired under U.S. GAAP.

Fair value of financial instruments

Substantially all of the Company's financial instruments are carried at fair value or amounts approximating fair value. Cash and cash equivalents, interest rate caps, amounts due to / from charterers, accounts payable and long-term debt, are carried at market value or estimated fair value.

Deferred financing costs, net

Deferred financing costs, included in other assets or as a reduction to debt balances (as described above), consist of fees, commissions and legal expenses associated with obtaining or modifying loan facilities. These costs are amortized over the life of the related debt using the effective interest rate method and are included in Financial expense, net in the Consolidated Statement of Operations. Amortization was $6.1 million, $4.1 million, and $2.0 million, respectively, for the years ended December 31, 2017, 2016 and 2015. Deferred financing costs of $30.2 million and $26.1 million, and accumulated amortization was $12.1 million and $6.2 million as of December 31, 2017 and 2016, respectively. Amortization for the next five years based on balances as of December 31, 2017 are as follows (in millions):

2018	$	5.8
2019		5.4
2020		4.6
2021		1.5
2022		0.5
Total	$	17.8

The Company wrote off $0.5 million and $3.8 million during the years ended December 31, 2017 and 2016, respectively, associated with the portion of deferred financing costs accumulated on credit facilities for which the commitments were reduced due to the sale of vessels, cancellation of the construction contract or because the amount of the facility exceeded the amounts that the Company would be able to draw down due to decreases in vessel values.

Earnings per share

Basic earnings per share is determined by dividing the net income (loss) by the weighted average number of common shares outstanding, while diluted earnings per share is determined by dividing net income (loss) by the average number of common stock adjusted for the dilutive effect of common stock equivalents by application of the treasury stock method. Common stock equivalents are excluded from the diluted calculation if their effect is anti-dilutive.

Share-based Compensation

We follow ASC Subtopic 718-10, *Compensation-Stock Compensation*, for restricted stock issued under our equity incentive plans. Share-based compensation expense requires measurement of compensation cost for shared based awards at fair value and recognition of compensation cost over the vesting period. The restricted stock awards granted to our employees and directors have graded vesting schedules and contain only service conditions. The Company recognizes compensation cost on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

The fair value of restricted stock awards is based on the fair value of the Company’s common stock on the grant date.

Income tax

Scorpio Bulkers Inc. is incorporated in the Republic of the Marshall Islands, and its subsidiaries are incorporated in the Republic of the Marshall Islands and the Cayman Islands. In accordance with the income tax laws of the Marshall Islands and the Cayman Islands, we are not subject to Marshall Islands or Cayman Islands income tax. We are also exempt from income tax in other jurisdictions including the United States of America due to tax treaties or domestic tax laws; therefore, we will not have any tax charges, benefits, or balances.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk are amounts due from charterers and from related parties. With respect to balances due from the Scorpio Ultramax Pool, and the Scorpio Kamsarmax Pool (see Note 14, *Related Party Transactions*), the Company, through SCM, limits its credit risk by performing ongoing credit evaluations and, when deemed necessary, requires letters of credit, guarantees or collateral. The Company earned 42%, and 58% of its revenues from two customers during the year ended December 31, 2017. The Company earned 40% and 60% of its revenues (including commissions from SCM), from two customers during the year ended December 31, 2016. During the year ended 12/31/2015, t

he Company earned 41%, 43% and 8% of its revenues (including commissions from SCM), respectively from three customers. Management does not believe significant risk exists in connection with the Company's concentrations of credit at December 31, 2017 due to the number of charterers with which the pools conduct business.

At December 31, 2017, the Company maintains all of its cash and cash equivalents with nine financial institutions. None of the Company's cash and cash equivalent balances are covered by insurance in the event of default by these financial institutions.

Interest rate risk

The Company is exposed to the impact of interest rate changes primarily through its variable-rate borrowings which consist of borrowings under its secured credit facilities. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt. The Company has entered into derivative contracts to hedge its overall exposure to interest rate risk exposure (see *Derivative financial instruments* below for further information).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

We manage liquidity risk by maintaining adequate reserves and borrowing facilities and by continuously monitoring forecast and actual cash flows.

Current economic conditions make forecasting difficult, and there is the possibility that our actual trading performance during the coming year may be materially different from expectations. Based on internal forecasts and projections that take into account reasonably possible changes in our trading performance, we believe that we have adequate financial resources to continue in operation and meet our financial commitments (including but not limited to newbuilding installments, debt service obligations and charterhire commitments) for a period of at least 12 months from the date of this annual report. Accordingly, we continue to adopt the going concern basis in preparing our financial statements.

Currency and exchange rate risk

The international shipping industry's functional currency is the U.S. Dollar. Virtually all of our revenues and most of our operating costs are in U.S. Dollars. We incur certain operating expenses in currencies other than the U.S. Dollar, and the foreign exchange risk associated with these operating expenses is immaterial.

Derivative financial instruments

The Company uses derivative financial instruments, primarily interest rate caps, to hedge certain interest rate exposure. The Company does not use derivative financial instruments for speculative purposes.

All derivative financial instruments are carried on the balance sheet at fair value. Fair value of derivatives is determined by reference to observable prices that are based on inputs not quoted on active markets, but corroborated by market data. The accounting for changes in the fair value of a derivative instrument depends on whether the derivative has been designated and qualifies as part of a hedging relationship. The use of derivative instruments has been limited to interest rate cap agreements. The fair values of derivative instruments are included in Other assets in the accompanying balance sheets. The Company has not elected to designate any of its derivative instruments as hedging instruments under ASC 815, *Derivatives and Hedging*, and as such the gain or loss on the derivative is recognized in Financial expense, net in current earnings during the period of change.

The valuation of interest rate cap agreements is determined using the Black Model, which considers among other factors, the contractual terms of derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and expected volatility, adjusted for counter-party risk. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or we elect not to apply hedge accounting.

Recent accounting pronouncements

In May 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting", which clarifies when changes to the terms or conditions of a share-based payment must be accounted for as modifications. Under the new guidance, an entity will not apply modification accounting to a share-based payment award if all of the following are the same immediately before and after the

change: (i) the award's fair value, (ii) the award's vesting conditions, and (iii) the award's classification as an equity or liability instrument. The new guidance does not change the accounting for modifications. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 for all entities. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued or made available for issuance. The Company does not expect ASU 2017-09 to have a significant impact on its consolidated financial statements or financial disclosures.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash". When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption in an interim period is permitted, but any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect ASU 2016-018 to have a significant impact on its Consolidated Statement of Cash Flows.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments", which addresses classification issues related to the statement of cash flows. Classification issues relate to (i) debt repayment of debt extinguishment costs, (ii) settlement of zero-coupon bonds, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. The guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the ASU in an interim period, adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Entities should apply this ASU using a retrospective transition method to each period presented. If it is impracticable for an entity to apply the ASU retrospectively for some of the issues, it may apply the amendments for those issues prospectively as of the earliest date practicable. The Company does not expect ASU 2016-15 to have a significant impact on its Consolidated Statement of Cash Flows.

In February 2016, the FASB issued ASU 2016-02, "Leases", which is intended to improve financial reporting about leasing transactions. The ASU affects all companies that lease assets. The ASU will require organizations that lease assets, or lessees, to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with terms of more than twelve months. The accounting for lease arrangements by lessor will remain largely unchanged from current U.S. GAAP. The ASU will also require additional quantitative and qualitative disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years and interim periods beginning after December 15, 2018 although early adoption is permitted. The ASU requires reporting organizations to take a modified retrospective transition approach. While the Company is still reviewing its contracts to assess the overall impact of the guidance, the Company has determined that the existing pool arrangements meet the definition of leases under ASU 2016-02, with the Company as lessor, on the basis that the pool manages the vessels in order to enter into transportation contracts with their customers, and thereby enjoys the economic benefits derived from such arrangements. Furthermore, the pool can direct the use of a vessel (subject to certain limitations in the pool or charter agreement) throughout the period of use. On November 29, 2017, the FASB voted to propose amendments to the new leases guidance to add two practical expedients. The proposed changes would allow entities to elect a simplified transition approach, and provide lessors with an option related to how lease and other related revenues are presented and disclosed. The Company will adopt this new standard on January 1, 2019, applying the main transition option, with no restatement of comparative figures for prior periods.

ASU 2016-02 also amends the existing accounting standards to require lessees to recognize, on a discounted basis, the rights and obligations created by the commitment to lease assets on the balance sheet, unless the term of the lease is 12 months or less. Based on the Company's operating fleet as of December 31, 2017, the standard will result in the recognition of right-of-use assets and corresponding liabilities, on the basis of the discounted remaining future minimum lease payments, relating to our existing bareboat chartered-in vessel commitments that are currently reported as operating leases. The Company does not expect this standard to impact the accounting for its existing time chartered-out vessels. Furthermore, the eventual expected impact of this standard as it pertains to time or bareboat chartered-in vessels, cannot be estimated as the Company is unable to predict what its lease commitments will be at December 31, 2018.

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update in respect of revenue from contracts with customers (Topic 606). The effective date is for annual periods beginning after December 15, 2017. This standard will require to (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company expects that its time charter arrangements may contain a service component, for example crew assistance , that will be in the scope of the new standard. Therefore the part of transaction price of charter arrangements should be allocated to service component and recognized in revenue in accordance with the requirements of the new standard. Revenue generated from pooling arrangements are within the scope of ASU 2016-02, which is discussed further above. The Company's time-chartered arrangements may contain both a lease and a service components. Prior to the expected adoption of ASC 842 practical expedients mentioned above, the non-lease component is supposed to be in the scope of the revenue standard. The Company is currently assessing the potential impact of the interaction within the practical expedient and the revenue standard. However, ASC 842 would allow lessor to not separate the lease components and the non-lease component. The lessor practical expedient would be limited to circumstances in which both (1) the timing and pattern of revenue recognition are the same for the nonlease component(s) and related lease component and (2) the combined single lease component would be classified as an operating lease. The Company also understands that lessors would not be required to account for the service component under ASC 606 in 2018, even if the future practical expedients will not be effective.

Recently adopted accounting standards

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting", which requires excess tax benefits and tax deficiencies be recorded on the income statement when the awards vest or are settled. In addition, cash flows related to excess tax benefits are no longer separately classified as a financing activity on the statement of cash flows. The standard also allows withholding up to the maximum statutory amount for taxes on employee share-based compensation, clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on the statement of cash flows and provides an accounting policy election to account for forfeitures as they occur and the Company elected to do so. The new standard was effective for annual reporting periods beginning after December 15, 2016 with early adoption permitted. The adoption of ASU 2016-09 did not have a significant impact on the Company's consolidated financial statements.

2. Cash and cash equivalents

Cash and cash equivalents includes $20.2 million and $25.4 million of short-term deposits with original maturities of less than three months, at December 31, 2017 and 2016, respectively.

3. Earnings Per Common Share

The following is a reconciliation of the basic and diluted earnings per share computations (amounts in thousands, except per share data):

	For the years ended December 31,		
	2017	2016	2015
Net loss for basic and diluted earnings per share	$ (59,726)	$ (124,835)	$ (510,789)
Shares of common stock and common stock equivalents:			
Weighted average shares basic	71,794	56,174	21,410
Effect of dilutive securities	—	—	—
Weighted average common shares - diluted	71,794	56,174	21,410
Loss per share:			
Basic	$ (0.83)	$ (2.22)	$ (23.86)
Diluted	$ (0.83)	$ (2.22)	$ (23.86)

The following is a summary of share equivalents not included in the computation of diluted earnings per share because their effects would have been anti-dilutive for the years ended December 31, 2017, 2016 and 2015 (in thousands).

	For the years ended December 31,		
	2017	2016	2015
Share equivalents	4,734	3,600	1,248

4. Vessels

At December 31, 2017, the Company owned 18 Kamsarmax vessels and 37 Ultramax vessels. A rollforward of activity within vessels is as follows (in thousands):

Balance December 31, 2015	$ 764,454
Transfer from vessels under construction and other additions	506,189
Depreciation	(36,562)
Balance December 31, 2016	$ 1,234,081
Transfer from vessels under construction and other additions	$ 203,682
Vessel purchases	207,000
Vessel sales	(61,471)
Depreciation	(48,510)
Balance December 31, 2017	$ 1,534,782

At December 31, 2017, depreciation included depreciation related to our finance lease for SBI Rumba.

All of our vessels serve as collateral against existing loan facilities.

(Dollars in thousands, except per share, per day and per vessel data)

Vessel Purchases

During 2017, the Company acquired nine Ultramax drybulk vessels from two unaffiliated third parties for an aggregate of $207.0 million ($186.7 million in cash and $20.3 million in the Company's common stock). All of the vessels were built in Chinese shipyards. Two were built in 2014, four were built in 2015, one was built in 2016 and two were built in 2017.

Vessel Sales

During 2017, the Company sold the SBI Charleston and SBI Cakewalk, two 2014 built Kamsarmax vessels, for approximately $22.5 million each, recorded a loss of $17.7 million and wrote off $0.5 million of deferred financing costs. The Company also repaid the related debt of approximately $20.1 million.

Owned of Finance Leased vessels

Vessel Name	Year Built	DWT	Vessel Type
SBI Antares	2015	61,000	Ultramax
SBI Athena	2015	64,000	Ultramax
SBI Bravo	2015	61,000	Ultramax
SBI Leo	2015	61,000	Ultramax
SBI Echo	2015	61,000	Ultramax
SBI Lyra	2015	61,000	Ultramax
SBI Tango	2015	61,000	Ultramax
SBI Maia	2015	61,000	Ultramax
SBI Hydra	2015	61,000	Ultramax
SBI Subaru	2015	61,000	Ultramax
SBI Pegasus	2015	64,000	Ultramax
SBI Ursa	2015	61,000	Ultramax
SBI Thalia	2015	64,000	Ultramax
SBI Cronos	2015	61,000	Ultramax
SBI Orion	2015	64,000	Ultramax
SBI Achilles	2016	61,000	Ultramax
SBI Hercules	2016	64,000	Ultramax
SBI Perseus	2016	64,000	Ultramax
SBI Hermes	2016	61,000	Ultramax
SBI Zeus	2016	60,200	Ultramax
SBI Hera	2016	60,200	Ultramax
SBI Hyperion	2016	61,000	Ultramax
SBI Tethys	2016	61,000	Ultramax
SBI Phoebe	2016	64,000	Ultramax
SBI Poseidon	2016	60,200	Ultramax
SBI Apollo	2016	60,200	Ultramax
SBI Samson	2017	64,000	Ultramax
SBI Phoenix	2017	64,000	Ultramax
SBI Aries	2015	64,000	Ultramax
SBI Taurus	2015	64,000	Ultramax
SBI Gemini	2015	64,000	Ultramax
SBI Pisces	2016	64,000	Ultramax
SBI Libra	2017	64,000	Ultramax
SBI Virgo	2017	64,000	Ultramax
SBI Jaguar	2014	64,000	Ultramax
SBI Cougar	2015	64,000	Ultramax

Vessel Name	Year Built	DWT	Vessel Type
SBI Puma	2014	64,000	Ultramax
Total Ultramax		**2,307,800**	
SBI Samba	2015	84,000	Kamsarmax
SBI Rumba	2015	84,000	Kamsarmax
SBI Capoeira	2015	82,000	Kamsarmax
SBI Electra	2015	82,000	Kamsarmax
SBI Carioca	2015	82,000	Kamsarmax
SBI Conga	2015	82,000	Kamsarmax
SBI Flamenco	2015	82,000	Kamsarmax
SBI Bolero	2015	82,000	Kamsarmax
SBI Sousta	2016	82,000	Kamsarmax
SBI Rock	2016	82,000	Kamsarmax
SBI Lambada	2016	82,000	Kamsarmax
SBI Reggae	2016	82,000	Kamsarmax
SBI Zumba	2016	82,000	Kamsarmax
SBI Macarena	2016	82,000	Kamsarmax
SBI Parapara	2017	82,000	Kamsarmax
SBI Swing	2017	82,000	Kamsarmax
SBI Mazurka	2017	82,000	Kamsarmax
SBI Jive	2017	82,000	Kamsarmax
Total Kamsarmax		**1,480,000**	
Total Owned of Finance Leased Vessels DWT		**3,787,800**	

5. Vessels under construction

Vessels under construction was $6.7 million and $180.0 million as of December 31, 2017 and 2016, respectively. These balances consist of novation consideration and installments paid to shipyards on our newbuilding contracts.

A rollforward of activity within vessels under construction is as follows (in thousands):

Balance December 31, 2015	$	288,282
Installment payments and other		401,556
Capitalized interest		6,951
Transferred to vessels		(506,362)
Write off due to contract cancellation		(10,427)
Balance December 31, 2016	$	180,000
Installment payments and other		29,642
Capitalized interest		361
Transferred to vessels		(203,293)
Balance December 31, 2017		6,710

All vessels under construction serve as collateral for related loan facilities.

During 2017, the Company agreed to acquire one Kamsarmax vessel from an unaffiliated third party, which is expected to be delivered from the Chinese shipyard in which it is being constructed in the middle of 2018 for $25.5 million. $6.7 million of the contract price has been paid as of December 31, 2017 and is included in the installment payments and other in the above table.

Vessel Under Construction

Vessel Name	Expected Delivery	DWT	Shipyard
Hull 2215 - TBN SBI Lynx	Q2-18	82,000	Jiangsu Yangzijiang Shipbuilding Co. Ltd.
Total Kamsarmax Newbuilding DWT		**82,000**	

(Dollars in thousands, except per share, per day and per vessel data)

6. Assets Held for Sale

The Company did not have any vessels classified as held for sale at December 31, 2017 or 2016.

During 2017, the Company entered into agreements with an unaffiliated third party to sell the SBI Charleston and SBI Cakewalk, two 2014 built Kamsarmax vessels, for approximately $22.5 million each. As such, the Company classified these vessels as held for sale until the completion of the sale, recorded a loss of $17.7 million and wrote off $0.5 million of deferred financing costs. The Company also repaid the related debt of approximately $20.1 million in full.

During 2016, the Company sold the eight vessels that were classified as held for sale as of December 31, 2015, for net proceeds of $271.4 million and recorded $0.8 million in additional expenses upon the completion of the sales of those vessels.

7. Commitment and Contingencies

Legal Matters

The Company is periodically involved in litigation and various legal matters that arise in the normal course of business. Such matters are subject to many uncertainties and outcomes that are not predictable. At the current time, the Company does not believe that any of these matters will have a material adverse effect on its financial position or future results of operations and therefore has not recorded any reserves as of December 31, 2017.

Capital Commitments

At December 31, 2017, the Company is a party to a vessel construction contract totaling $25.5 million, of which $18.8 million remains unpaid. Payment is expected to be made in the middle of 2018 upon delivery of the vessel.

Time chartered-in vessels

The Company time charters in one vessel, which was entered into and operated out of a spot market-oriented commercial pool managed by our commercial manager. The Company has an agreement to charter-in one drybulk vessel. The terms of the time charter-in contract are summarized as follows:

Vessel Type	Year Built	DWT	Where Built	Daily Base Rate	Earliest Expiry
Ultramax	2017	62,100	Japan	$10,125	30-Sept-19
Aggregate TC DWT		**62,100**			

Future minimum obligations under non-cancelable time charter-in agreements as of December 31, 2017 was, $6.5 million.

Debt

See Note 11, *Debt*, to the consolidated financial statements for a schedule of debt and financing obligation payments as of December 31, 2017.

Other

The Company also has certain commitments related to the commercial and technical management of its vessels. As of December 31, 2017, we would be obligated to pay termination fees of $8.7 million to SCM and SSM if we were to cancel our service agreements with them as of December 31, 2017. We are also required to pay SCM for each vessel that we own an amount equal to six months of commissions that SCM would have expected to earn had the contracts not been terminated. Due to the variable nature of the commissions, they have been excluded from these figures.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	As of	
(in thousands)	December 31, 2017	December 31, 2016
Accounts payable	$ 3,907	$ 4,612
Accrued operating	2,580	2,250
Accrued administrative	3,600	3,171
Accounts payable and accrued expenses	$ 10,087	$ 10,033

Accounts payable primarily consists of obligations to suppliers arising in the normal course of business. Accrued operating relates to obligations arising from operation of the Company's owned and chartered-in vessels, such as operating costs. Accrued administrative relates to obligations that are corporate or financing in nature, such as payroll, professional fees, interest and commitment fees.

9. Common Shares

As of December 31, 2017 the Company had:

- Approximately 74.9 million common shares outstanding, the $0.01 par value of which is recorded as common stock of $0.8 million.
- Paid-in capital of $1.7 billion which substantially represents the excess net proceeds from common stock issuances over the par value as well as the amount of cumulative restricted stock amortization.
- Treasury stock of $11.0 million representing the cost at which the Company repurchased approximately 1.5 million shares

Share Repurchase Program

In September 2017, the Company's Board of Directors has authorized the repurchase of up to $50.0 million of the Company's common stock in open market or privately negotiated transactions. The specific timing and amounts of the repurchases are in the sole discretion of management and may vary based on market conditions and other factors, but the Company is not obligated under the terms of the program to repurchase any of its common stock. The authorization has no expiration date. As of December 31, 2017, $39.0 million remains available under the program.

Dividend

On October 23, 2017, the Company's Board of Directors declared the Company's first quarterly cash dividend of $0.02 per share, which was paid on December 15, 2017 to all shareholders as of November 15, 2017 (the record date).

Other

In connection with an agreement to purchase three Ultramax vessels, on November 5, 2017, the Company issued warrants to purchase approximately 1.6 million common shares at an exercise price of $8.10 per share to an unaffiliated third party as part of the total consideration paid. The warrants were not exercised as of December 31, 2017.

In connection with an agreement to purchase one Ultramax vessel, on December 4, 2017, the Company issued approximately 0.9 million common shares to an unaffiliated third party. The shares were issued to the seller of the vessel upon delivery of such vessel on December 29, 2017.

During 2017, the Company issued a total of 12,946 shares, with a fair value of $0.1 million to SSH pursuant to the Administrative Services Agreement relating to our Newbuilding Program.

In June 2016, upon receiving shareholder approval, the Company further amended its Amended and Restated Articles of Incorporation to increase the Company's total number of authorized common shares to 112,500,000.

During 2016, the Company issued a total of 51,679 shares, with a fair value of $0.2 million, to SSH pursuant to the Administrative Services Agreement in connection with the deliveries of newbuilding vessels.

During 2016, the Company issued an aggregate of 44.0 million shares of common stock, par value $0.01 per share, at $3.00 per share in two separate underwritten public offerings. SSH and certain of the Company's directors purchased an aggregate of $10.3 million common shares at the public offering prices. The Company received approximately $128.1 million of net proceeds from the issuance.

Effective December 31, 2015, the Company's Board of Directors, or the Board, determined to effect a one-for-twelve reverse stock split of the Company's common shares, par value $0.01 per share, and a reduction in the total number of authorized common shares to 56,250,000 shares. The Company's shareholders approved the reverse stock split and change in authorized common shares at the Company's special meeting of shareholders held on December 23, 2015. This reduced the number of outstanding common shares from 344,239,098 shares to 28,686,561 shares. On December 17, 2015, the Company received notice from the NYSE that the Company was no longer in compliance with the NYSE's continued listing standards because the average closing share price of its common shares over a consecutive 30 trading-day period ending December 15, 2015 fell below the requirement to be at least $1.00 per share. The purpose of the reverse stock split was to increase the market price of the Company's common shares. The increased market price for the Company's common shares as a result of implementing the reverse stock split cured this deficiency.

On June 16, 2015, the Company issued 12,745,833 shares of common stock, par value $0.01 per share at $18.00 per share in an underwritten public offering. SSH and certain of our executive officers purchased an aggregate of 833,333 common shares at the public offering price. The company received $218.6 million of proceeds from the issuance.

During 2015, the Company issued a total of 111,725 shares to SSH pursuant to the Administrative Services Agreement relating to the delivery of 28 vessels and the sale of 20 vessels. The aggregate value of these shares was $2.4 million.

10. Equity Incentive Plan

The Scorpio Bulkers Inc. 2013 Equity Incentive Plan, or the Plan was approved by the Company's Board and became effective on September 30, 2013 and was last amended to reserve additional common shares for issuance pursuant to the Plan on December 5, 2017. 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. The Board may amend or terminate the Plan and may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholder approval of plan amendments will be required under certain circumstances. As of December 31, 2017 we reserved a total of 4,742,612 common shares for issuance under the Plan, subject to adjustment for changes in capitalization as provided in the Plan. The Plan is administered by the Company's Compensation Committee. The Plan will remain in effect until the tenth anniversary of the date on which the Plan was adopted by the Board, unless terminated, or extended by the Board. After this date, no further awards shall be granted pursuant to the Plan, but previously granted awards will remain outstanding in accordance with their applicable terms and conditions.

Under the Plan, the Company is permitted to grant incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common shares.

Under the terms of the Plan, stock options and stock appreciation rights granted under the Plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. 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 Company did not grant any option awards or stock appreciation rights under the Plan during the three years ended December 31, 2017.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. Generally, restricted stock granted under the Plan vests in one of the following manners: (a) annually in three equal installments, if the independent director has continued to serve on the board of directors from the grant date to the applicable vesting date or (b) serial vest on each of the second, third and fourth anniversaries of the date of grant so long as the award recipient is employed on such date. The Company recognizes share-based compensation expense (see Note 1, *Summary of Significant Accounting Polices*) over this three-year period or four-year period, as applicable.

(Dollars in thousands, except per share, per day and per vessel data)

The company recorded share-based compensation expense of $12.6 million, $18.6 million and $24.6 million for the years ended December 31, 2017, 2016 and 2015, respectively, related to restricted stock awards, which is included in General and administrative expenses in the Consolidated Statement of Operations.

A summary of activity for restricted stock awards during the three years ended December 31, 2017 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value $
Outstanding at December 31, 2014	581,671	114.66
Granted	804,035	20.03
Vested	(137,543)	115.90
Outstanding at December 31, 2015	1,248,163	53.56
Granted	2,582,000	3.26
Vested	(208,266)	107.82
Forfeited	(21,564)	51.50
Outstanding at December 31, 2016	3,600,333	14.36
Granted	150,000	6.25
Vested	(604,151)	44.80
Forfeited	(4,612)	5.33
Outstanding at December 31, 2017	3,141,570	8.13

As of December 31, 2017, there was $7.6 million of total unrecognized compensation cost related to restricted stock awards. These costs are expected to be recognized over the weighted average period of approximately one year. During 2017, restricted stock with a fair value of approximately $4.4 million vested.

11. Debt

The Company's long-term debt, which consists of Senior Notes, bank loans and a leasing arrangement, is summarized as follows:

(amounts in thousands)	December 31, 2017	December 31, 2016
Senior Notes	$ 73,625	$ 73,625
Bank Loans:		
$39.6 Million Credit Facility	$ —	$ 20,144
$409 Million Credit Facility	174,443	167,816
$330 Million Credit Facility	247,876	225,759
$42 Million Credit Facility	22,354	38,512
$67.5 Million Credit Facility	40,461	40,461
$12.5 Million Credit Facility	10,183	10,379
$27.3 Million Credit Facility	18,213	19,375
$85.5 Million Credit Facility	85,500	—
$38.7 Million Credit Facility	38,700	—
$19.6 Million Lease Financing	19,268	—
	656,998	522,446
Less: Current portion	(49,266)	(13,882)
	$ 607,732	$ 508,564

(amounts in thousands)	December 31, 2017			December 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
Total bank loans, financing obligation and senior notes, gross	49,266	681,357	730,623	13,882	582,188	596,070
Unamortized deferred financing costs	(1,129)	(13,917)	(15,046)	(402)	(16,196)	(16,598)
Total bank loans and senior notes, net	48,137	667,440	715,577	13,480	565,992	579,472

The future principal and estimated interest payments (based on the interest rates in effect as of December 31, 2017) under the Company's long-term debt over the next five years on the Company's Senior Notes, credit facilities and financing obligation as of December 31, 2017 is as follows:

(amounts in thousands)	Principal on Bank Loans and Senior Notes	Interest on Bank Debt and Senior Notes	Financing Obligation	Total
2018	48,099	34,380	1,971	84,450
2019	118,586	30,536	1,971	151,093
2020	209,547	24,143	1,971	235,661
2021	223,001	10,732	1,971	235,704
2022	47,889	3,939	1,971	53,799
Thereafter	64,233	877	9,413	74,523
Total	711,355	104,607	19,268	835,230

Unsecured Senior Notes

On September 22, 2014, the Company issued $65.0 million in aggregate principal amount of 7.5% Senior Notes due September 2019, or the Senior Notes, and on October 16, 2014 the Company issued an additional $8.6 million aggregate principal amount of Senior Notes when the underwriters partially exercised their option to purchase additional Senior Notes on the same terms and conditions.

All terms mentioned are defined in the indenture governing the Senior Notes.

The Senior Notes will mature on September 15, 2019 and bear interest at a rate of 7.5% per year, payable quarterly on each March 15, June 15, September 15 and December 15. The Senior Notes are redeemable at the Company's option in whole or in part, at any time on or after September 15, 2016 at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date.

The Senior Notes are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured and unsubordinated debt and are effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and will be structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. No sinking fund is provided for the Senior Notes. The Senior Notes were issued in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof and are listed on the New York Stock Exchange under the symbol "SLTB". The Senior Notes require us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If the Company undergoes a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants include:

- Net borrowings shall not equal or exceed 70% of total assets.
- Tangible net worth shall always exceed $500.0 million.

As of December 31, 2017, we were in compliance with the financial covenants relating to the Senior Notes.

In December 2016, our Board of Directors authorized the repurchase of up to $20.0 million of our outstanding Senior Notes in open market or privately negotiated transactions. The specific timing and amounts of the repurchases, which will be funded by available cash, will be in the sole discretion of management and vary based on market conditions and other factors. This authorization has no expiration date. As of December 31, 2017, the full $20.0 million remains available for repurchases under this authorization.

Secured Credit Facilities

The Company had eight credit agreements in place, which are all collateralized by certain of the Company's vessels. The following is a summary of those credit agreements as of December 31, 2017.

	$409 Million Credit Facility	**$330 Million Credit Facility**	**$42 Million Credit Facility**	**$67.5 Million Credit Facility**	**$12.5 Million Credit Facility**	**$27.3 Million Credit Facility**	**$85.5 Million Credit Facility**	**$38.7 Million Credit Facility**
Date of Agreement	December 30, 2014	July 29, 2014	January 30, 2015	July 30, 2014	December 22, 2015	December 22, 2015	December 5, 2017	December 13, 2017
Total Vessels Financed								
Kamsarmax	8	6	1	2	—	—	—	—
Ultramax	7	15	1	2	1	2	6	3
Interest Rate-LIBOR+	3.000%	2.925%	2.970%	2.950%	3.000%	2.950%	2.850%	2.850%
Commitment Fee	1.200%	1.170%	1.120%	1.250%	—%	1.180%	1.140%	1.000%
Maturity Date	December 30, 2020	July 29, 2021	6 years from each Kamsarmax drawdown and September 21, 2021 on the Ultramax tranche	7 years from each drawdown	December 22, 2020	5 years from each drawdown	February 15, 2023	December 13, 2022
Amount drawn down (in thousands)	220,769	294,225	48,870	53,816	11,750	23,250	85,500	38,700
Amount outstanding (in thousands)	174,443	247,876	22,354	40,461	10,183	18,213	85,500	38,700
Carrying Value of Vessels Collateralized (in thousands)	450,949	579,893	61,158	112,449	29,855	60,881	142,496	64,518
Amount Available (in thousands)	—	—	—	—	—	—	—	—
Remaining Vessels to be Financed	—	—	—	—	—	—	—	—

$85.5 Million Credit Facility

On December 5, 2017, the Company entered into a senior secured credit facility for up to $85.5 million, which was used to finance a portion of the purchase price of six Ultramax vessels the Company acquired in the fourth quarter of 2017. The facility has a maturity date of February 15, 2023,bears interest at LIBOR plus a margin of 2.85% per annum and has a commitment fee of 1.14% per annum. This facility is secured by, among other things, a first preferred mortgage on the six Ultramax vessels and guaranteed by each vessel owning subsidiary.

As of December 31, 2017, the Company drew down the entire amount available and the outstanding balance on this facility was approximately $85.5 million.

$38.7 Million Credit Facility

On December 13, 2017, the Company entered into a senior secured credit facility for up to $38.7 million, which was used to finance a portion of the purchase price of three Ultramax vessels the Company acquired in the fourth quarter of 2017. The facility has a maturity date of December 13, 2022, bears interest at LIBOR plus a margin of 2.85% per annum and has a commitment fee of 1.0% per annum. This facility is secured by, among other things, a first preferred mortgage on the three Ultramax vessels and guaranteed by each vessel owning subsidiary.

As of December 31, 2017, the Company drew down the entire amount available and the outstanding balance on this facility was approximately $38.7 million.

$39.6 Million Credit Facility

On June 27, 2014, the Company signed a loan agreement for up to $39.6 million which was used to finance a portion of two Kamsarmax vessels. In 2017, the Company sold these two vessels and $20.1 million, which was outstanding under this facility was fully repaid in May 2017 and the credit facility was terminated.

The loan amendments discussed below were accounted for as debt modifications in accordance with ASC 470, *Debt*.

$67.5 Million Credit Facility

During 2017, the Company reached an agreement to reinstate principal repayments of approximately $8.0 million that were previously deferred in accordance with prior loan amendments to their original form. Under this agreement the Company is required to make principal repayments of approximately $1.0 million per quarter from the first quarter of 2018 through the fourth quarter of 2018 and then from the first quarter of 2020 through the fourth quarter of 2020, with an offsetting reduction to the balloon payment due upon maturity.

All restrictions on the payment of dividends that were put in place as part of prior loan amendments have been removed from this credit facility.

$409.0 Million Credit Facility

During 2017, the Company confirmed its acceptance of a 2016 agreement to reinstate principal repayments of approximately $26.9 million that were previously deferred in accordance with prior loan amendments to their original form. Under this agreement the Company made or is required to make principal repayments ranging from approximately $1.2 million to approximately $2.3 million per quarter from the third quarter of 2017 through the third quarter of 2020, with an offsetting reduction to the balloon payment due upon maturity. In addition, a principal repayment of approximately $2.4 million, representing prior period principal repayments, was made during 2017.

All restrictions on the payment of dividends that were put in place as part of prior loan amendments have been removed from this credit facility.

$42.0 Million Credit Facility

During 2017, the Company reached an agreement to reinstate principal repayments of approximately $6.6 million that were previously deferred in accordance with prior loan amendments to their original form. Under this agreement the Company made principal repayments of approximately $0.8 million in the third and fourth quarters of 2017 and after the $13.2 million repayment noted below will be required to make principal repayments of $0.5 million from the second quarter of 2019 through the first quarter of 2020, with an offsetting reduction to the balloon payment due upon maturity. In addition, a principal repayment of approximately $1.7 million, representing prior period principal repayments, was made during 2017.

The Company also repaid approximately $13.2 million of the $42.0 million Credit Facility upon the completion of the $19.6 million Lease Financing transaction during 2017.

All restrictions on the payment of dividends that were put in place as part of prior loan amendments have been removed from this credit facility

$12.5 Million Credit Facility

During 2017, the Company reached an agreement to reinstate principal repayments of approximately $0.8 million that were previously deferred in accordance with prior loan amendments to their original form. Under this agreement the Company made and is required to make principal repayments of approximately $0.2 million from the fourth quarter of 2017 through the third quarter of 2018, with an offsetting reduction to the balloon payment due upon maturity.

All restrictions on the payment of dividends that were put in place as part of prior loan amendments have been removed from this credit facility.

$27.3 Million Credit Facility

During 2017, the Company reached an agreement to reinstate principal repayments of $3.1 million that were previously deferred in accordance with prior loan amendments to their original form. Under this agreement the Company made and is required to make principal repayments of approximately $0.4 million from the third quarter of 2017 through the first quarter of 2018 and from the fourth quarter of 2019 through the third quarter of 2020, with an offsetting reduction to the balloon payment due upon maturity. In addition, a principal repayment of approximately $0.4 million, representing prior period principal repayments, was made during 2017.

All restrictions on the payment of dividends that were put in place as part of prior loan amendments have been removed from this credit facility.

Finance Lease

$19.6 Million Lease Financing

In October 2017, the Company entered into a financing transaction with respect to one of its Kamsarmax vessels with unaffiliated third parties involving the sale and leaseback of the SBI Rumba, a 2015 Japanese built Kamsarmax dry bulk vessel, for consideration of approximately $19.6 million. As part of the transaction, the Company will make monthly payments of $164,250 under a nine and a half year bareboat charter agreement with the buyer, which the Company has the option to extend for a further six months. The agreement also provides the Company with options to repurchase the vessel beginning on the fifth anniversary of the sale and until the end of the agreements.

Certain of the Company's credit facilities discussed above, have, among other things, the following financial covenants, as amended or waived, the most stringent of which require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth (adjusted for a minimum amount of $100.0 million in historical non-operating costs and to exclude certain future non-operating items, including impairments) no less than $500.0 million plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after December 31, 2013 and (ii) 50% of the value of any new equity issues occurring on or after December 31, 2013.
- The ratio of EBITDA to net interest expense calculated on a year to date basis of greater than 1.00 to 1.00 for the quarters ending March 31, 2019 and June 30, 2019, 2.50 to 1.00 for the quarter ending September 30, 2019, calculated on a year-to-date basis and 2.50 to 1.00 for each quarter thereafter, calculated on a trailing four quarter basis.
- Minimum liquidity of not less than the greater of $25.0 million or $0.7 million per owned vessel.
- Maintain a minimum fair value of the collateral for each credit facility, such that the aggregate fair value of the vessels collateralizing the credit facility is 140%, except in the case of our $67.5 Million Credit Facility, for which it is 115% of the aggregate principal amount outstanding under such credit facility, or, if we do not meet these thresholds to prepay a portion of the loan or provide additional security to eliminate the shortfall.

The Company's credit facilities discussed above have, among other things, the following restrictive covenants which could restrict the Company's ability to:

- incur additional indebtedness;
- sell the collateral vessel, if applicable;

- make additional investments or acquisitions;
- pay dividends; and
- effect a change of control of us.

In addition, the Company's credit facilities contain customary events of default, including cross-default provisions. As of December 31, 2017, the Company was in compliance with all the financial covenants of each of its credit facilities and finance lease. The Company expects to remain in compliance with the financial covenants of each of its credit facilities for the next twelve months.

Interest rates on all of the Company's secured credit facilities during the year ended December 31, 2017 ranged from 3.80% to 4.70%. The Company records its interest expense, all of which was capitalized until the fourth quarter of 2015, as a component of Financial expense, net on its Consolidated Statement of Operations. For the years ended December 31, 2017, 2016 and 2015, Financial expense, net consists of:

	Year ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Interest expense	$ 27,719	$ 16,002	$ 998
Amortization of deferred financing costs	6,085	4,137	1,988
Write off of deferred financing costs	470	3,781	16,085
Change in the fair value of interest rate caps	63	—	—
Other, net	625	1,001	453
	$ 34,962	$ 24,921	$ 19,524

12. Derivatives

The Company is exposed to, among other things, the impact of changes in interest rates in the normal course of business. The Company manages the exposure to and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks and does not enter into such transactions for speculative purposes.

The Company uses variable rate debt as a source of funds for use in the Company's investment activities. These debt obligations expose the Company to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Interest rate cap agreements are used to manage interest rate risk associated with floating-rate borrowings under the Company's credit facilities. The interest rate cap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's floating-rate debt to a fixed rate basis through December 31, 2020, thereby reducing the impact of interest rate changes on future interest expense.

The Company has not elected to designate any of its derivative instruments as hedging instruments under ASC 815, *Derivatives and Hedging*, and as such the gain or loss on the derivative is recognized in current earnings during the period of change and is included in Financial expense, net on the Consolidated Statement of Operations.

Information pertaining to outstanding interest rate caps is as follows:

Aggregate Notional Amount (in millions)	Start Date	End Date	Offsets Variable Rate Debt Attributable to Fluctuations Above:
$100	November 9, 2017	December 31, 2020	Three Month LIBOR of 3.5%
$100	November 9, 2017	December 31, 2020	Three Month LIBOR of 3.5%
$100	November 21, 2017	December 31, 2020	Three Month LIBOR of 3.5%

The aggregate fair value of these interest rate caps was $0.2 million at December 31, 2017, and is included in Other assets on the Company's Consolidated Balance Sheet. During 2017, we recorded $0.1 million, representing the change in the fair value of these caps to Financial expense, net on the Consolidated Statement of Operations. Refer to Note 13, *Fair value of Financial Instruments*, for related fair value disclosures.

13. Fair value of financial instruments

The carrying amount and fair value of financial instruments at December 31, 2017 and 2016 were as follows (in thousands):

		2017		2016	
	Level	Carrying value	Fair Value	Carrying value	Fair Value
Financial assets:					
Cash and cash equivalents	1	$ 68,535	$ 68,535	$ 101,734	$ 101,734
Other assets - interest rate cap	3	192	192	—	—
Financial liabilities:					
Bank loans, net	1	623,960	623,960	507,273	507,273
Senior Notes, net	1	72,726	74,921	72,199	65,850

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, various methods are used including market, income and cost approaches. Based on these approaches, certain assumptions that market participants would use in pricing the asset or liability are used, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable firm inputs. Valuation techniques that are used maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, fair value measured financial instruments are categorized according to the fair value hierarchy prescribed by ASC 820, *Fair Value Measurements and Disclosures*. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Fair value measurements using unadjusted quoted market prices in active markets for identical, unrestricted assets or liabilities.

- Level 2: Fair value measurements using correlation with (directly or indirectly) observable market-based inputs, unobservable inputs that are corroborated by market data, or quoted prices in markets that are not active.

- Level 3: Fair value measurements using inputs that are significant and not readily observable in the market.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly-liquid investments with original maturities of three months or less, and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

The interest rate caps were measured at fair value using implied volatility rates of each caplet and the yield curve for the related periods.

The carrying value of our secured bank loans are measured at amortized cost using the effective interest method. The Company believes the carrying amounts of its bank loans at December 31, 2017 and December 31, 2016 approximate fair value because the interest rates on these instruments change with, or approximate, market interest rates. These amounts are shown net of $13.8 million and $15.2 million of unamortized deferred financing fees, on the Company's consolidated balance sheet as of December 31, 2017 and 2016, respectively.

The Senior Notes are publicly traded on the New York Stock Exchange and are considered a level 1 item. The carrying values shown in the table are the face value of the notes net of $0.9 million and $1.4 million of unamortized deferred financing fees as of December 31, 2017 and 2016, respectively.

Certain of the Company's assets and liabilities are carried at contracted amounts that approximate fair value. Assets and liabilities that are recorded at contracted amounts approximating fair value consist primarily of balances with related parties, prepaid expenses and other current assets, accounts payable and accrued expenses.

The Company believes the carrying amounts of its bank loans at December 31, 2017 and 2016 approximate fair value because the interest rates on these instruments change with, or approximate, market interest rates.

14. Related Party Transactions

Our Co-Founder, Chairman and Chief Executive Officer, Mr. Emanuele Lauro, is a member of the Lolli-Ghetti family, which in 2009 founded Scorpio Tankers Inc. ("Scorpio Tankers") (NYSE: "STNG"), a large international shipping company engaged in seaborne transportation of refined petroleum products, of which Mr. Lauro is currently the Chairman and Chief Executive Officer. The Lolli-Ghetti family also majority owns and controls the Scorpio Group, including SSM, which provides us with vessel technical management services, SCM, which provides us with vessel commercial management services, SSH, which provides us and other related entities with administrative services and services related to the acquisition of vessels and Scorpio UK Limited ("SUK") which provides us with chartering services. In addition, our Vice President, Mr. Filippo Lauro is the brother of Mr. Emanuele Lauro and a member of the Lolli-Ghetti family. Our Co-Founder, President and Director, Mr. Robert Bugbee is also the President and a Director of Scorpio Tankers and has a senior management position at the Scorpio Group.

We entered into an Administrative Services Agreement, as amended from time to time, with SSH, a party related to us, for the provision of administrative staff, office space and accounting, legal compliance, financial and information technology services for which we reimburse SSH for the reasonable direct and indirect expenses it incurs in providing us with such services. Such costs are classified as general and administrative in the Consolidated Statement of Operations.

SSH also arranges vessel sales and purchases for us. We previously paid SSH a fee, payable in the Company's common shares, for arranging vessel acquisitions, including newbuildings. The amount of common shares payable was determined by dividing $250,000 by the market value of our common shares based on the volume weighted average price of our common shares over the 30 trading day period immediately preceding the contract date of a definitive agreement to acquire any vessel. During the years ended December 31, 2017, 2016 and 2015, we issued 12,946, 51,679 and 111,725 shares, respectively, of our common shares to SSH.

In addition, SSH has agreed with us not to own any drybulk carriers greater than 30,000 dwt for so long as the Administrative Services Agreement is in full force and effect. This agreement may be terminated by SSH upon 12 months' notice or by us with 24 months' notice.

The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group.

During June 2015, we issued and sold 833,333 shares to SSH for $15.0 million as part of a public offering.

During March 2016, we issued 5,000,000 shares to SSH for $15.0 million as part of a public offering.

During June 2016, we issued 5,250,000 shares to SSH for $16.0 million as part of a public offering.

Our vessels are commercially managed by SCM and technically managed by SSM pursuant to an amended and restated master agreement, as amended and restated from time to time, or the Amended and Restated Master Agreement, which may be terminated by either party upon 24 months' notice, unless terminated earlier in accordance with the provisions of the Amended and Restated Master Agreement. In the event of a sale of one or more vessels, a notice period of three months' and a payment equal to 3 months of management fees will apply, provided that the termination does not amount to a change of control, including a sale of substantially all vessels, in which case a payment equal to 24 months of management fees will apply. Additional vessels that the Company may acquire in the future are expected to be managed under the Amended and Restated Master Agreement or on substantially similar terms as the Amended and Restated Master Agreement.

SCM's commercial management services include securing employment for our vessels in the spot market and on time charters. SCM also manages the Scorpio Group Pools (spot market-oriented vessel pools) including the Scorpio Ultramax Pool, the Scorpio Kamsarmax Pool and the currently inactive Scorpio Capesize Pool in which our owned and time chartered-in vessels are employed and from which we generate a significant portion of our revenue. The Scorpio Ultramax Pool, the Scorpio Kamsarmax Pool and the Scorpio Capesize Pool participants, including us and third-party owners of similar vessels, pay SCM a pool management fee of $300 per vessel per day, plus a 1.75% commission on the gross revenues per charter fixture. We typically have balances due from these pools, consisting primarily of working capital, undistributed earnings and reimbursable costs. These receivables are

either classified as current or non-current assets within the Consolidated Balance Sheet depending upon whether the associated vessel is expected to exit the pool within the next 12 months. We are also allocated general and administrative expenses from SCM.

For the commercial management of any of our vessels that do not operate in one of these pools, we pay SCM a daily fee of $300 per vessel, plus a 1.75% commission on the gross revenues per charter fixture, which are classified as voyage expenses in the Consolidated Statement of Operations.

Effective September 29, 2016, pursuant to the terms of the Amended and Restated Master Agreement, effective beginning on the fifth day within any 20 trading day period that the closing price of the Company's common shares on the New York Stock Exchange is equal to or greater than $5.00, the commission payable for commercial management to SCM will be reinstated to 1.75% of all monies earned by a vessel from 1.00%. As of close of trading on the NYSE on November 18, 2016, the condition was met and the commission payable for commercial management was reinstated to 1.75% of all monies earned by a vessel, effective November 19, 2016.

The Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool were significant customers for the year ended December 31, 2017, accounting for 42% and 58% of our total vessel revenue, respectively. During the year ended December 31, 2016, the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool accounted for 40% and 60% of our total vessel revenue (including commissions from SCM), respectively. During the year ended 12/31/2015, the Scorpio Kamsarmax Pool, the Scorpio Ultramax Pool and the Scorpio Capesize Pool accounted for 41%, 43% and 8% of our total vessel revenue (including commissions from SCM), respectively.

Prior to the amendment to the Amended and Restated Master Agreement on September 29, 2016, contracts for the construction of vessels that were sold or canceled prior to the Company taking delivery of the vessels resulted in a termination fee of $0.5 million per vessel and the termination fee for a vessel which was under SCM management was two years of daily fees of $300, or $0.2 million per vessel plus 1.00% of the estimated revenue SCM would have generated for the vessel over the next two years. This fee is included in loss/write off of vessels and assets held for sale in the Consolidated Statement of Operations.

Following the amendment to the Amended and Restated Master Agreement on September 29, 2016, the fees due for a termination of the commercial management arrangements in the event of the sale of one or more vessels, *provided* it does not amount to a change of control of the Company, including a sale of substantially all vessels, have been reduced to a three month notice period and payment equal to three months of management fees.

SSM’s technical management services include providing technical support, such as arranging the hiring of qualified officers and crew, supervising the maintenance and performance of vessels, purchasing supplies, spare parts and new equipment, arranging and supervising drydocking and repairs, and monitoring regulatory and classification society compliance and customer standards. We pay SSM an annual fee of $0.2 million per vessel to provide technical management services for each of our vessels upon delivery, which is a component of vessel operating cost in the Consolidated Statement of Operations.

In addition, representatives of SSM provide us with construction supervisory services while our vessels are being constructed in shipyards. In addition to the supervisory fee, we will compensate SSM for its direct expenses in assisting with the supervision, which can vary between $0.2 million and $0.5 million per vessel.

Prior to the amendment to the Amended and Restated Master Agreement on September 29, 2016, contracts for the construction of vessels that were sold or canceled prior to the Company taking delivery of the vessels resulted in a termination fee of $0.5 million per vessel and the termination fee for a vessel which was under SSM management was two years of annual fees of $0.2 million per vessel, or $0.4 million per vessel. This fee is classified included in loss/write off of vessels and assets held for sale in the Consolidated Statement of Operations.

Following the amendment to the Amended and Restated Master Agreement on September 29, 2016, the fees due for a termination of the technical management arrangements in the event of the sale of one or more vessels, *provided* it does not amount to a change of control of the Company, including a sale of substantially all vessels, have been reduced to a notice period of three months and a payment equal to three months of management fees.

SUK will allocate salaries of certain SUK employees to the Company for services performed for the Company.

SCORPIO BULKERS INC. AND SUBSIDIARIES
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(Dollars in thousands, except per share, per day and per vessel data)

Transactions with entities controlled by the Lolli-Ghetti family and with Scorpio Tankers (herein referred to as related party affiliates) in the Consolidated Statement of Operations and Consolidated Balance Sheet are summarized in the following tables (in thousands).

	For the Year Ended December 31,		
	2017	**2016**	**2015**
Vessel revenue			
Scorpio Kamsarmax Pool	$ 67,825	$ 31,319	$ 25,151
Scorpio Ultramax Pool	94,380	46,227	26,338
Scorpio Capesize Pool	—	—	4,857
SCM	—	856	718
Total vessel revenue	$ 162,205	$ 78,402	$ 57,064
Voyage expense:			
SCM	$ 172	$ 319	$ 664
Vessel operating cost:			
SSM	$ 9,379	$ 7,191	2,765
General and administrative expense:			
SCM	$ 108	$ 43	$ 258
SSH	5,643	3,949	1,265
SUK	971	862	486
Total general and administrative expense	$ 6,722	$ 4,854	$ 2,009
Write down on assets held for sale			
SCM	$ 147	$ 500	$ 12,465
SSM	200	500	13,000
Total write down on assets held for sale	$ 347	$ 1,000	$ 25,465

SCORPIO BULKERS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Dollars in thousands, except per share, per day and per vessel data)

At December 31, 2017 and December 31, 2016, we had the following balances with related parties, which have been included in the Consolidated Balance Sheet:

	December 31, 2017	December 31, 2016
Assets		
Due from related parties-current:		
Scorpio Kamsarmax Pool	$ 3,977	$ 2,579
Scorpio Ultramax Pool	2,578	1,661
Total due from related parties-current	**$ 6,555**	**$ 4,240**
Due from related parties non-current:		
Scorpio Kamsarmax Pool	$ 5,080	$ 4,606
Scorpio Ultramax Pool	10,741	6,633
Total due from related parties non-current	**$ 15,821**	**$ 11,239**
Liabilities		
Due to related parties-current :		
SCM	$ —	$ 507
SSM	69	209
SSH	297	321
Total due to related parties-current	**$ 366**	**$ 1,037**

SCORPIO BULKERS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Dollars in thousands, except per share, per day and per vessel data)

15. Segment Reporting

Effective January 1, 2016, the Company is organized by vessel type into two operating segments through which the Company's chief operating decision maker manages the Company's business. The Kamsarmax and Ultramax Operations segments include the following:

- Kamsarmax - includes vessels ranging from approximately 82,000 DWT to 84,000 DWT
- Ultramax - includes vessels ranging from approximately 60,200 DWT to 64,000 DWT

Prior to January 1, 2016, the Company was organized into three operating segments: Kamsarmax, Ultramax and Capesize, which included vessels of approximately 180,000 DWT. However, the Company sold all of its Capesize vessels and Capesize newbuilding vessels by the end of 2015.

Although each vessel within its respective class qualifies as an operating segment under U.S. GAAP, each vessel also exhibits similar long-term financial performance and similar economic characteristics to the other vessels within the respective vessel class, thereby meeting the aggregation criteria in U.S. GAAP. We have therefore chosen to present our segment information by vessel class using the aggregated information from the individual vessels.

The Company's vessels regularly move between countries in international waters, over dozens of trade routes and, as a result, the disclosure of financial information about geographic areas is impracticable.

Certain of the corporate general and administrative expenses incurred by the Company are not attributable to any specific segment. Accordingly, these costs are not allocated to any of the Company's segments and are included in the results below as "Corporate".

The following schedule presents segment information about the Company's operations and identifiable assets for the years ended December 31, 2017, 2016 and 2015 (in thousands).

December 31, 2017	Capesize	Kamsarmax	Ultramax	Corporate	Total
Vessel revenue	$ —	$ 67,825	$ 94,380	$ —	$ 162,205
Voyage expenses	—	300	129	—	429
Vessel operating cost	(117)	35,336	51,445	—	86,664
Charterhire expense	—	4,417	975	—	5,392
Vessel depreciation	—	18,713	29,797	—	48,510
General and administrative expenses	3	1,916	3,389	23,773	29,081
Loss / write down on assets held for sale	—	17,701	—	—	17,701
Interest income	—	—	—	1,100	1,100
Foreign exchange gain	—	—	—	(292)	(292)
Financial expense, net	—	—	—	(34,962)	(34,962)
Segment loss	$ 114	$ (10,558)	$ 8,645	$ (57,927)	$ (59,726)

SCORPIO BULKERS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Dollars in thousands, except per share, per day and per vessel data)

December 31, 2016	Capesize	Kamsarmax	Ultramax	Corporate	Total
Vessel revenue	$ —	$ 31,684	$ 46,718	$ —	$ 78,402
Voyage expenses	—	(81)	36	—	(45)
Vessel operating cost	—	27,083	41,749	—	68,832
Charterhire expense	—	12,323	5,033	—	17,356
Charterhire termination	—	2,500	7,500	—	10,000
Vessel depreciation	—	14,522	22,040	—	36,562
General and administrative expenses	380	1,718	2,725	29,172	33,995
Loss / write down on assets held for sale	1,006	11,557	(130)	—	12,433
Interest income	—	—		933	933
Foreign exchange gain	—	—		(116)	(116)
Financial expense, net	—	—		(24,921)	(24,921)
Segment loss	$ (1,386)	$ (37,938)	$ (32,235)	$ (53,276)	$ (124,835)

During 2016, the Company recorded a $10.0 million charge to terminate four time charter-in contracts. Terminating these contracts reduced the Company's cash outflow and had a positive impact on the Company's future operating results as the contracts were at above current market rates.

December 31, 2015	Capesize	Kamsarmax	Ultramax	Corporate	Total
Vessel revenue	$ 9,038	$ 26,712	$ 26,771	$ —	$ 62,521
Voyage expenses	280	331	176	—	787
Vessel operating cost	5,089	9,986	14,297	—	29,372
Charterhire expense	—	29,509	21,880	—	51,389
Vessel depreciation	3,623	4,536	6,104	—	14,263
General and administrative expenses	275	498	713	33,896	35,382
Loss / write down on assets held for sale	408,318	8,997	5,622	—	422,937
Interest income	—	—		356	356
Foreign exchange loss				(12)	(12)
Financial expense, net	—	—	—	(19,524)	(19,524)
Segment loss	$ (408,547)	$ (27,145)	$ (22,021)	$ (53,076)	$ (510,789)

Interest income that was previously reflected in the Ultramax segment at December 31, 2015 was reallocated to the Corporate segment. Foreign exchange loss previously reflected in the Capesize, Kamsarmax, and Ultramax segments at December 31, 2015 have been reallocated to the Corporate segment.

SCORPIO BULKERS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Dollars in thousands, except per share, per day and per vessel data)

Identifiable assets, classified by the segment by which the Company operates, are as follows:

Identifiable assets

	December 31, 2017	December 31, 2016
Held by vessel owning subsidiaries or allocated to segments:		
Capesize	$ 23	$ 643
Kamsarmax	549,444	600,578
Ultramax	1,028,798	847,016
Held by parent and other subsidiaries, not allocated to segments:		
Cash and cash equivalents	59,278	88,311
Other	5,867	10,609
Total identifiable assets	$ 1,643,410	$ 1,547,157

16. Unaudited Quarterly Results of Operations

The following tables set forth certain unaudited financial data for the Company's quarterly operations in 2017 and 2016. The following information has been prepared on the same basis as the annual information presented elsewhere in this report and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the quarterly periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

(amounts in thousands)	(Unaudited) 2017 Quarter Ended				(Unaudited) 2016 Quarter Ended			
	First Quarter[1]	Second Quarter	Third Quarter	Fourth Quarter	First Quarter[2]	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 34,728	$ 37,742	$ 38,608	$ 51,127	$ 10,244	$ 17,374	$ 23,938	$ 26,846
Operating loss	(26,173)	(4,734)	(2,555)	7,891	(51,192)	(19,204)	(16,244)	(14,091)
Net loss	(34,564)	(13,418)	(10,674)	(1,068)	(58,260)	(24,748)	(21,273)	(20,557)
Basic loss per share	$ (0.48)	$ (0.19)	$ (0.15)	$ (0.01)	$ (1.96)	$ (0.48)	$ (0.30)	$ (0.29)
Diluted loss per share	$ (0.48)	$ (0.19)	$ (0.15)	$ (0.01)	$ (1.96)	$ (0.48)	$ (0.30)	$ (0.29)
Basic weighted average common shares outstanding	71,735	71,804	71,936	71,702	29,794	51,305	71,575	71,672
Diluted weighted average common shares outstanding	71,735	71,804	71,936	71,702	29,794	51,305	71,575	71,672

Earnings per share for quarterly periods are based on the weighted average common shares outstanding in individual quarters; thus, the sum of earnings per share of the quarters may not equal the amounts reported for the full year.

(1) First quarter 2017 results include a loss / write down on assets held for sale of $17.7 million.

(2) First quarter of 2016 includes a loss / write down on assets held for sale of $12.4 million.

17. Subsequent Events

Dividend

On February 5, 2018, the Company’s Board of Directors declared a quarterly cash dividend of $0.02 per share, payable on or about March 15, 2018, to all shareholders of record as of February 15, 2018.

Equity Incentive Plan

On February 2, 2018, an aggregate of 111,500 restricted shares were granted to SSH employees pursuant to the Equity Incentive Plan.

Technical Management Agreement

In December 2017, we agreed to amend the Amended and Restated Master Agreement to amend and restate the technical management agreement thereunder subject to bank consents being obtained, which were subsequently obtained. On February 22, 2018, we entered into definitive documentation to memorialize the agreed amendments to the Amended and Restated Master Agreement under a deed of amendment, or the Amendment Agreement. The Amended and Restated Master Agreement as amended by the Amendment Agreement is effective as from January 1, 2018.

EXECUTION VERSION

CREDIT AGREEMENT

among

SCORPIO BULKERS INC.

as Borrower,

VARIOUS LENDERS

and

ABN AMRO BANK N.V.,
as Administrative Agent and as Collateral Agent

Dated as of December 5, 2017

ABN AMRO BANK N.V., and
SKANDINAVISKA ENSKILDA BANKEN AB (PUBL),
as Joint Bookrunners and Mandated Lead Arrangers

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EXHIBIT I - Form of Subordination Provisions
EXHIBIT J - Form of Assignment and Assumption Agreement
EXHIBIT K - Form of Collateral Vessel Mortgage
EXHIBIT L - Form of Hedging Assignment Agreement

CREDIT AGREEMENT, dated as of December 5, 2017 (this "Credit Agreement"), among SCORPIO BULKERS INC., a company incorporated under the laws of the Republic of the Marshall Islands (the "Borrower"), the Lenders party hereto from time to time, ABN AMRO BANK N.V. ("ABN AMRO") and SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) ("SEB"), as Joint Bookrunners and Mandated Lead Arrangers (the "Lead Arrangers"), and ABN AMRO BANK N.V., as Administrative Agent (in such capacity, the "Administrative Agent") and as Collateral Agent under the Security Documents (in such capacity, the "Collateral Agent"). All capitalized terms used herein and defined in Section 1.01 are used herein as therein defined.

W I T N E S S E T H:

WHEREAS, subject to and upon the terms and conditions herein set forth, the Lenders are willing to make available to the Borrower the Credit Facility provided for herein:

NOW, THEREFORE, IT IS AGREED:

1. Definitions and Accounting Terms.

1.02 Defined Terms As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acceptable Classification Society" shall mean DNV GL, Lloyds Register, American Bureau of Shipping (ABS) and Bureau Veritas or such other vessel classification society that is a member of the International Association of Classification Societies that the Administrative Agent may approve from time to time.

"Acceptable Flag Jurisdiction" shall mean Liberia, the Republic of the Marshall Islands or such other flag jurisdiction as may be reasonably acceptable to the Required Lenders.

"Account Pledge Agreement" shall have the meaning provided in the definition of "Collateral and Guaranty Requirements".

"Account Collateral" shall have the meaning provided in the Account Pledge Agreement.

"Additional Collateral" shall mean additional Collateral reasonably satisfactory to the Required Lenders posted in favor of the Collateral Agent to cure non-compliance with Section 8.07(d) (it being understood that cash collateral comprised of Dollars (which shall be valued at par) shall be satisfactory), pursuant to security documentation reasonably satisfactory in form and substance to the Collateral Agent, in an aggregate amount sufficient to cure such non-compliance.

"Additional Vessel" shall have the meaning provided in the definition of Collateral Vessel.

"Administrative Agent" shall have the meaning provided in the first paragraph of this Agreement, and shall include any successor thereto.

"Affiliate" shall mean, with respect to any Person, any other Person (including, for purposes of Section 8.06 only, all directors, officers and partners of such Person) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; provided, however, that for purposes of Section 8.06, an Affiliate of the Borrower shall include any Person that directly or indirectly owns more than 20% of any class of the capital stock of the Borrower and any officer or director of the Borrower or any of its Subsidiaries. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding anything to the contrary contained above, for purposes of Section 8.06, neither the Administrative Agent, nor the Collateral Agent, nor any Lead Arranger nor any Lender (or any of their respective affiliates) shall be deemed to constitute an Affiliate of the Borrower or its Subsidiaries in connection with the Credit Documents or its dealings or arrangements relating thereto.

"Agents" shall mean, collectively, the Administrative Agent, the Collateral Agent and the Lead Arrangers.

"Aggregate Appraised Value" shall mean at any time, the sum of the Appraised Value of all Collateral Vessels owned by the Subsidiary Guarantors at such time which are not then subject to an Event of Loss.

"Agreement" shall mean this Credit Agreement, as modified, supplemented, amended or restated from time to time.

"Anti-Corruption Laws" shall have the meaning provided in Section 6.10(d).

"Applicable Margin" shall mean 2.85% per annum.

"Appraisal" shall mean, with respect to a Collateral Vessel, a written appraisal by an Approved Appraiser of the fair market value of such Collateral Vessel on the basis of a charter-free arm's length transaction between any able buyer and seller not under duress.

"Appraised Value" shall mean for any Collateral Vessel, at any time, the average of the fair market value of such Collateral Vessel on an individual charter-free basis as set forth on the Appraisals of at least two Approved Appraisers most recently delivered to, or obtained by, the Administrative Agent, on a semi-annual basis, prior to such time pursuant to Section 5.02(e) or 7.01(d).

"Approved Appraiser" shall mean Clarksons Platou, Fearnleys AS, Arrow Sale & Purchase Limited, Braemar Seascope Limited, Howe Robinson, Maersk Broker, Affinity Shipbrokers and Simpson Spence & Young Shipbrokers or such other independent appraisal firm nominated by the Borrower and consented to by the Administrative Agent (such consent not to be unreasonably withheld or delayed) for the purposes of providing an Appraisal for a Collateral Vessel.

"Assignment and Assumption Agreement" shall mean an assignment and assumption agreement substantially in the form of Exhibit J (appropriately completed).

"Attributable Loan Amount" shall mean, for any Collateral Vessel on any date of determination, an amount equal to:

(i) the principal amount of the Loans made in respect of such Collateral Vessel on the Borrowing Date related to such Collateral Vessel, less

(ii) the aggregate amount of the Collateral Vessel Amortization Amounts in respect of such Collateral Vessel for each Payment Date which have occurred prior to such date, less

(iii) the amount by which the Attributable Loan Amount for such Collateral Vessel has been reduced prior to such date pursuant to Section 4.02(f).

"Authorized Officer" shall mean the chairman of the board, the president, any vice president, the treasurer, the secretary, any assistant secretary, any other financial officer, an authorized manager and any other officer (or a Person or Persons so designated by any officer) of any Credit Party.

"Bail-In Action" shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bankruptcy Code" shall have the meaning provided in Section 9.05.

"Benefit Plan" shall mean any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrowing" shall mean a borrowing of Loans from all the Lenders (other than any Lender which has not funded its share of a Borrowing in accordance with this Agreement) having Commitments on a given date having the same Interest Period.

"Borrowing Date" shall mean the date on which Loans are made to the Borrower which shall be the date of the consummation of the delivery of a Collateral Vessel or, if later, the date the Borrower incurs such Loans to reimburse, in part, acquisition price of such Collateral Vessel, in each case pursuant to Section 2.01.

"Business Day" shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close in the Netherlands, Monaco, New York and Sweden.

"Capital Expenditures" shall mean, with respect to any Person, all expenditures by such Person which should be capitalized in accordance with GAAP and, without duplication, the amount of Capitalized Lease Obligations incurred by such Person.

"Capitalized Lease Obligations" of any Person shall mean all rental obligations which, under GAAP, are or will be required to be capitalized on the books of such Person, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles.

"Cash Equivalents" shall mean:

(i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than one year from the date of acquisition,

(ii) time deposits and certificates of deposit of, or deposits held with, any commercial bank having, or which is the principal banking subsidiary of a bank holding company having capital, surplus and undivided profits aggregating in excess of $500,000,000, with maturities of not more than one year from the date of acquisition by such Person,

(iii) time deposits and certificates of deposit of, or deposits held with, any Lender,

(iv) repurchase obligations with a term of not more than 90 days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (ii) above,

(v) commercial paper issued by any Person incorporated in the United States rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's and in each case maturing not more than one year after the date of acquisition by such Person,

(vi) investments in money market funds substantially all of whose assets are comprised of securities of the types described in clauses (i) through (v) above, and

(vii) such other securities or instruments as the Required Lenders shall agree in writing.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as the same may be amended from time to time, 42 U.S.C. § 9601 et seq.

"Change in Law" shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, including, without limitation, Basel III, Basel IV, CRR, or CRD IV, if not already enacted as of the Closing Date, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" shall mean the occurrence of any of the following:

(a) any of the Subsidiary Guarantors ceases to be owned (directly or indirectly) 100% by the Borrower; provided that any sale of a Subsidiary Guarantor pursuant to Section 8.02 shall be permitted subject to compliance with Section 4.02(b),

(b) a "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Exchange Act, as in effect on the Closing Date) becomes the ultimate "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 of the Exchange Act) and including by reason of any change in the ultimate "beneficial owner" of the Equity Interests of the Borrower of more than 35% of the total voting power or voting stock (calculated on a fully diluted basis), or

(c) the Continuing Directors shall cease to constitute a majority of the members of the board of directors of the Borrower.

"Claims" shall have the meaning provided in the definition of "Environmental Claims".

"Closing Date" shall have the meaning provided in Section 11.11.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code as in effect at the date of this Agreement and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall mean all property (whether real or personal) with respect to which any security interests have been granted (or purported to be granted) pursuant to any Security Document, including, without limitation, all Share Pledge Agreement Collateral, all Account Collateral, all Earnings and Insurance Collateral, all Collateral Vessels, and all cash and Cash Equivalents at any time delivered as collateral thereunder or as required hereunder.

"Collateral Agent" shall mean the Administrative Agent acting as mortgagee, security trustee or collateral agent for the Secured Creditors pursuant to the Security Documents.

"Collateral and Guaranty Requirements" shall mean with respect to each Credit Party and each Collateral Vessel, the requirement that:

(i) each Subsidiary of the Borrower that is required to be a Subsidiary Guarantor in accordance with the definition thereof shall have duly authorized, executed and delivered to the Administrative Agent the Subsidiaries Guaranty, substantially in the form of Exhibit E (as modified, supplemented or amended from time to time, the "Subsidiaries Guaranty") and the Subsidiaries Guaranty shall be in full force and effect;

(ii) the Borrower and each Subsidiary Guarantor (determined as provided in clause (i) above) shall have duly authorized, executed and delivered the Share Pledge Agreement substantially in the form of Exhibit F (as modified, supplemented or amended from time to time, the "Share Pledge Agreement") or a joinder or supplement thereto in form and substance reasonably satisfactory to the Administrative Agent, and pursuant to which all of the Equity Interests of the Credit Party that owns such Collateral Vessel (and the Equity Interests of the Subsidiary that owns, directly or indirectly, the Equity Interests in such Credit Party, if any) shall have been pledged to secure the Obligations and such Credit Party shall have(i) delivered to the Collateral Agent all the Pledged Securities referred to therein, together with executed and undated stock powers in the case of capital stock constituting Pledged Securities, and (ii) otherwise complied with all of the requirements set forth in the Share Pledge Agreement;

(iii) each Credit Party that owns, directly or indirectly, such Collateral Vessel, and the Collateral Agent, shall have duly executed and delivered the Account Pledge Agreement substantially in the form of Exhibit D (as modified, supplemented or amended from time to time, the "Account Pledge Agreement") pursuant to which all of the Concentration Accounts shall have been pledged to secure the Obligations and such Credit Party shall have complied with all of the requirements set forth in the Account Pledge Agreement, including delivery of notice to the Deposit Account Bank;

(iv) each Credit Party that owns such Collateral Vessel shall have duly authorized, executed and delivered a General Assignment Agreement substantially in the form of Exhibit G (as modified, supplemented or amended from time to time, the "General Assignment Agreement") and shall use commercially reasonable efforts to provide appropriate notices and consents related thereto, together granting a security interest and lien on all of such Credit Party's (i) present and future Earnings and Insurance Collateral

and (ii) present and future rights and receivables under Intra-Group Charters and Permitted Third Party Charters, in each case together with proper Financing Statements (Form UCC-1) in form for filing under the UCC or in other appropriate filing offices of each jurisdiction as may be necessary to perfect the security interests purported to be created by the General Assignment Agreement;

(v) the Borrower shall have duly authorized, executed and delivered a Hedging Assignment Agreement substantially in the form of Exhibit L (as modified, supplemented or amended from time to time, the "Hedging Assignment Agreement") and shall use commercially reasonable efforts to provide notices and consents thereto,

(vi) the Credit Party that owns such Collateral Vessel shall have duly authorized, executed and delivered, and caused to be recorded in the appropriate vessel registry a Collateral Vessel Mortgage with respect to such Collateral Vessel and such Collateral Vessel Mortgage shall be effective to create in favor of the Collateral Agent and the Lenders a legal, valid and enforceable first priority security interest, in and lien upon such Collateral Vessel, subject only to Permitted Liens;

(vii) all filings, deliveries of instruments and other actions necessary or desirable in the reasonable opinion of the Collateral Agent to perfect and preserve the security interests described in clauses (ii) through (vi) above shall have been duly effected and the Collateral Agent shall have received evidence thereof in form and substance reasonably satisfactory to the Collateral Agent;

(viii) the Administrative Agent shall have received an Appraisal from two Approved Appraisers of such Collateral Vessel of a recent date (and in no event dated earlier than 30 days prior to the relevant Borrowing Date) in scope, form and substance reasonably satisfactory to the Administrative Agent;

(ix) the Administrative Agent shall have received each of the following:

(a) evidence that such Collateral Vessel is registered in the name of the relevant Subsidiary Guarantor in the register of the applicable Acceptable Flag Jurisdiction and that such Collateral Vessel and all other Collateral related to such Collateral Vessel are free from Liens other than Permitted Liens; and

(b) evidence that (i) the transfer of title to such Collateral Vessel from the Seller to the relevant Subsidiary Guarantor has been duly recorded at the relevant registry in the applicable Acceptable Flag Jurisdiction free from Liens other than Permitted Liens and (ii) any prior registration of such Collateral Vessel in the name of any third party in any ship register and any other vessel mortgage, if any, has been deleted; and

(c) a class certificate from an Acceptable Classification Society indicating that such Collateral Vessel meets the criteria specified in Section 7.14(c); and

(d) certified copies of all agreements related to the technical and commercial management of each Collateral Vessel to which the Borrower or a Subsidiary Guarantor is a party; and

(e) certified copies of all ISM Code and ISPS Code documentation for each Collateral Vessel; and

(f) a report, in form and scope reasonably satisfactory to the Administrative Agent, from a firm of independent marine insurance brokers reasonably acceptable to the Administrative Agent (it being understood that AON and Marsh are reasonably acceptable) with respect to the

insurance maintained by the Credit Parties in respect of such Collateral Vessel, together with a certificate from such broker certifying that such insurances, (i) are placed with such insurance companies and/or underwriters and/or clubs, in such amounts, against such risks, and in such form, as are customarily insured against by similarly situated insureds for the protection of the Administrative Agent and/or the Lenders as secured party and mortgagee, (ii) conform with the insurance requirements of this Agreement, the respective General Assignment Agreement and each respective Collateral Vessel Mortgage (it being understood that, except as required by applicable law, the insurance requirements of such Collateral Vessel Mortgage shall not exceed the Required Insurance) and (iii) include, without limitation, copies of the Required Insurance;

(x) the Administrative Agent shall have received from:

(a) special New York counsel to the Borrower and the Credit Parties (which shall be Seward & Kissel LLP or another New York law firm reasonably acceptable to the Administrative Agent), an opinion addressed to the Administrative Agent and each of the Lenders and dated as of the Borrowing Date for such Collateral Vessel,

(b) if not delivered on the Closing Date, special Dutch counsel to the Administrative Agent (which shall be Loyens & Loeff or another law firm reasonably acceptable to the Administrative Agent), an opinion addressed to the Administrative Agent and each of the Lenders and dated as of the Borrowing Date for such Collateral Vessel;

(c) special Republic of the Marshall Islands counsel to each of the Credit Parties (which shall be Seward & Kissel LLP or another law firm qualified to render an opinion as to the Republic of the Marshall Islands law reasonably acceptable to the Administrative Agent), an opinion addressed to the Administrative Agent and each of the Lenders and dated as of the Borrowing Date for such Collateral Vessel, and

(d) if applicable, counsel to each of the Credit Parties in the jurisdiction of the flag of such Collateral Vessel (other than the Marshall Islands, which is covered by the opinion in clause (b)), an opinion addressed to the Administrative Agent and each of the Lenders and dated as of the Borrowing Date for such Collateral Vessel covering such matters as shall be required by the Administrative Agent,

in each case which shall be in form and substance reasonably acceptable to the Administrative Agent; and

(xi) to the extent not previously delivered, the Administrative Agent shall have received (i) a certificate, dated the relevant Borrowing Date and reasonably acceptable to the Administrative Agent, signed by an Authorized Officer, member or general partner of each Credit Party which owns the Relevant Vessel, with appropriate insertions, together with copies of the Organizational Documents of such Credit Party and the resolutions of such Credit Party referred to in such certificate authorizing the consummation of the Transaction; and (ii) copies of governmental approvals (if any) and good standing certificates which the Administrative Agent may have reasonably requested in connection therewith.

"Collateral Disposition" shall mean (i) the sale, lease, transfer or other disposition by the Borrower or a Subsidiary Guarantor of any Collateral Vessel, other than (x) pursuant to an Intra-Group Charter or a Permitted Third Party Charter by the Borrower or any of its Subsidiaries to any Person or (y) by one Credit Party to another Credit Party, provided that the Collateral and Guaranty Requirements for such Collateral Vessel shall be satisfied at all times, or (ii) any Event of Loss of any Collateral Vessel.

"Collateral Vessel" shall mean (a) each vessel listed on Schedule VI hereto and (b) such other vessel posted as Additional Collateral (such vessel, an "Additional Vessel"); provided, that for the purposes of Section 4.02(b), an Additional Vessel shall not be deemed a Collateral Vessel; provided, further, that Schedule VI is automatically updated to include any Additional Vessel without any further action on the part of the Administrative Agent.

"Collateral Vessel Acquisition" shall mean the acquisition by a Subsidiary Guarantor of a Collateral Vessel.

"Collateral Vessel Amortization Amount" shall mean, for any Collateral Vessel for any Payment Date, the amount equal to:

(x) the Attributable Loan Amount for such Collateral Vessel on the Borrowing Date for such Collateral Vessel divided by

(y) the product of:

(i) 15 minus a fraction, the numerator of which is the number of days between the date of delivery of such Collateral Vessel by the builder thereof (whether to the relevant Subsidiary Guarantor which owns such Collateral Vessel or the original owner) and the Borrowing Date for such Collateral Vessel and the denominator of which is 365, and

(ii) four,

provided, that with respect to only the first Payment Date for each Collateral Vessel (and not any subsequent Payment Date), the Collateral Vessel Amortization Amount for such Collateral Vessel for such Payment Date shall be reduced pro rata based on the number of days in the relevant fiscal quarter in which such Payment Date occurs which have elapsed prior to the Borrowing Date for such Collateral Vessel.

"Collateral Vessel Mortgage" shall mean a first preferred mortgage, in substantially the form of Exhibit K attached hereto, or a first priority mortgage and related deed of covenant (as applicable) in such form as may be reasonably satisfactory to the Administrative Agent and the Borrower (including, without limitation, any first preferred mortgage or first priority mortgage and related deed of covenant, as applicable, delivered pursuant to a Flag Jurisdiction Transfer), as such mortgage (and deed of covenant, if applicable) may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof granted by the applicable Collateral Vessel Owner in favor of the Collateral Agent, as security trustee and as mortgagee.

"Collateral Vessel Owner" shall mean, at any time, a Subsidiary Guarantor which owns a Collateral Vessel.

"Commercial Manager" shall mean collectively, one or more commercial managers selected by the Borrower and reasonably acceptable to the Required Lenders including, without limitation, Scorpio Commercial Management S.A.M.

"Commitment" shall mean, for each Lender, the amount set forth opposite such Lender's name in Schedule I hereto as the same may be (x) terminated pursuant to Sections 3.02, 3.03 and/or 9, as applicable, or (y) adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 2.12 or 11.04(b).

"Commitment Commission" shall have the meaning provided in Section 3.01(a).

"Commitment Termination Date" shall mean February 15, 2018.

"Concentration Accounts" shall mean those certain deposit accounts of each Subsidiary Guarantor designated in the Account Pledge Agreement as being pledged to the Collateral Agent, which deposit accounts shall be held by ABN AMRO Bank N.V. (or its affiliates) in the name of relevant Subsidiary Guarantor, and into which the relevant Subsidiary Guarantor shall procure that all hires, freights, insurance proceeds, pool income and other sums payable in respect of the Collateral Vessels are credited and which amounts shall be freely available to the Subsidiary Guarantors, provided that no Event of Default has occurred and is continuing.

"Consolidated Funded Debt" shall mean, as at any date of determination, the sum of the following for the Borrower and its Subsidiaries determined (without duplication) on a consolidated basis for such period and in accordance with GAAP consistently applied: (a) all Financial Indebtedness; and (b) all obligations to pay a specific purchase price for goods or services whether or not delivered or accepted (including take-or-pay and similar obligations which in accordance with GAAP would be shown on the liability side of a balance sheet); provided that balance sheet accruals for future dry-dock expenses shall not be classified as Consolidated Funded Debt.

"Consolidated Liquidity" shall mean, on a consolidated basis at any time, the sum of (a) cash; (b) Cash Equivalents, in each case held by the Borrower and its Subsidiaries at such time on a freely available and unencumbered basis; and (c) amounts readily available for drawing under committed revolving credit facilities with a maturity date in excess of 12 months after the date of determination of Consolidated Liquidity and which remain undrawn and could be drawn for general working capital or other general corporate purposes and provided that no event of default has occurred and is continuing under any such revolving credit facility and the Borrower is entitled to draw under such revolving credit facility.

"Consolidated Net Income" shall mean, for any period, the consolidated net after tax income of the Borrower and its Subsidiaries for such period determined in accordance with GAAP.

"Consolidated Net Interest Expense" shall mean, for any period, the aggregate of all interest, commissions, discounts and other costs, charges or expenses accruing that are due from the Borrower and all of its Subsidiaries during such period less (i) commitment fees, (ii) interest income received and (iii) amortization of deferred charges and arrangement fees, determined on a consolidated basis in accordance with GAAP and as shown in the consolidated statements of income for the Borrower delivered pursuant to Section 7.01(a) and (b).

"Consolidated Tangible Net Worth" shall mean, at any time of determination for any Person, the Net Worth of such Person and its Subsidiaries at such time determined on a consolidated basis in accordance with GAAP minus goodwill and as adjusted to exclude (without duplication of any amounts excluded as impairment of intangible assets on or after the Closing Date in the definition of "Net Worth"), (a) (i) any incurred losses/write downs on assets sold and/or held for sale, (ii) any incurred losses on termination of any shipbuilding contract, and (iii) any impairment charges taken on assets, in each case, on or after March 31, 2016 and (b) up to $100,000,000 of (i) incurred losses/writedowns on assets sold and/or held for sale, (ii) any incurred losses on termination of any shipbuilding contract and (iii) any impairment charges taken on assets, in each case, prior to March 31, 2016.

"Consolidated Total Capitalization" shall mean, at any time of determination for any Person, the sum of Consolidated Funded Debt of such Person at such time and Consolidated Tangible Net Worth of such Person at such time.

"Contingent Obligation" shall mean, as to any Person, any obligation of such Person guaranteeing or intended to guarantee any Financial Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business and any products warranties extended in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or, if the less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Continuing Directors" shall mean the directors of the Borrower on the Closing Date and each other director, if such other director's nomination for election to the board of directors of the Borrower is recommended by a majority of the then Continuing Directors.

"Credit Document Obligations" shall mean, except to the extent consisting of obliga-tions, liabilities or indebtedness with respect to Interest Rate Protection Agreements, the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations, liabilities and indebtedness (including, without limita-tion, principal, premium, interest, fees and indemnities (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Credit Party at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such proceeding)) (other than an Excluded Swap Obligation) of each Credit Party to the Lender Creditors (provided, in respect of the Lender Creditors which are Lenders, such aforementioned obligations, liabilities and indebtedness shall arise only for such Lenders (in such capacity) in respect of Loans and/or Commitments), whether now existing or here-after incurred under, arising out of, or in connection with this Agreement and the other Credit Documents to which such Credit Party is a party (including, in the case of each Credit Party that is a Subsidiary Guarantor, all such obligations, liabilities and indebtedness of such Credit Party under the Subsidiaries Guaranty) (other than Excluded Swap Obligations) and the due per-formance and compliance by such Credit Party with all of the terms, conditions and agreements contained in this Agreement and in such other Credit Documents.

"Credit Documents" shall mean this Agreement, the Fee Letter, each Note, each Security Document, the Subsidiaries Guaranty and, after the execution and delivery thereof, each additional guaranty or additional security document executed pursuant to Section 7.11.

"Credit Facility" shall mean the senior secured term loan facility in the aggregate principal amount of up to US$85,500,000 as provided under this Agreement.

"Credit Parties" shall mean the Borrower and each Subsidiary Guarantor and "Credit Party" shall mean any one of them.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Disbursement Authorization" shall have the meaning provided in Section 5.02.

"Disqualified Stock" shall mean, with respect to any Person, any Equity Interest of such Person that, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition, (a) matures or is mandatorily redeemable (other than solely for Qualified Capital Stock), pursuant to a sinking fund obligation or otherwise (except as a result of a Change of Control or asset sale so long as any rights of the holders thereof upon the occurrence of a Change of Control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations that are accrued and payable) and the termination of the Commitments, (b) is redeemable at the option of the holder thereof (other than solely for Qualified Capital Stock of such Person), in whole or in part, (c) provides for the scheduled payments of dividends in cash or (d) is or becomes convertible into or exchangeable for Financial Indebtedness or any other Equity Interests that would constitute Disqualified Stock of such Person, in each case, prior to the date that is ninety-one (91) days after the Maturity Date; provided, however, that only the portion of the Equity Interests that so mature or are mandatorily redeemable, are so convertible or exchangeable or are so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; provided, further, however, that if such Equity Interest of such Person is issued to any employee or to any plan for the benefit of employees of the Borrower or its Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Stock solely because they may be required to be repurchased by the Borrower or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability.

"Dividend" with respect to any Person shall mean that such Person has declared or paid a dividend or returned any equity capital to its stockholders or members or authorized or made any other distribution, payment or delivery of property (other than common stock or the right to purchase any of such stock of such Person) or cash to its stockholders or members as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for a consideration any shares of any class of its capital stock or membership interests outstanding on or after the Closing Date (or any options or warrants issued by such Person with respect to its capital stock), or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for a consideration any shares of any class of the capital stock of, or equity interests in, such Person outstanding on or after the Closing Date (or any options or warrants issued by such Person with respect to its capital stock or other equity interests). Without limiting the foregoing, "Dividends" with respect to any Person shall also include all payments made or required to be made by such Person with respect to any stock appreciation rights, plans, equity incentive or achievement plans or any similar plans or setting aside of any funds for the foregoing purposes.

"Dollars" and the sign "$" shall each mean lawful money of the United States.

"Earnings and Insurance Collateral" shall mean all "Earnings Collateral" and "Insurance Collateral", as the case may be, as defined in the General Assignment Agreement.

"ECP" shall have the meaning assigned to such term in the definition of Excluded Swap Obligation.

"EEA Financial Institution" shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" shall mean any of the member states of the European Union, Iceland, Liechtenstein, the United Kingdom, and Norway.

"EEA Resolution Authority" shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Eligible Transferee" shall mean and include a commercial bank or financial institution and, in the event of the occurrence and continuance of an Event of Default, a fund or other Person which regularly purchases interests in loans or extensions of credit of the types made pursuant to this Agreement, any other Person which would constitute a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act as in effect on the Closing Date or other "accredited investor" (as defined in Regulation D of the Securities Act), provided that neither (i) any Credit Party or any Affiliate of any Credit Party nor (ii) any natural Person shall be an Eligible Transferee at any time.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, orders, consent decrees, judgments, claims, liens, notices of noncompliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief in connection with alleged injury or threat of injury to health, safety or the environment due to the presence of Hazardous Materials.

"Environmental Law" shall mean any applicable Federal, state, foreign or local statute, Legal Requirement, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy and rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, to the extent binding on the Borrower or any of its Subsidiaries, relating to the environment, and/or Hazardous Materials, including, without limitation, CERCLA; OPA; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. § 5101 et seq.; the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq. (to the extent it regulates occupational exposure to Hazardous Materials); and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"Environmental Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing or migration into the environment.

"Equity Interests" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any common stock, preferred stock, any limited or general partnership interest and any limited liability company membership interest.

"Equity Proceeds" means the net cash proceeds from the issuance of common or preferred stock of the Borrower.

"ERISA" shall mean the U.S. Employee Retirement Income Security Act of 1974, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) which together with the Borrower or a Subsidiary of the Borrower would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"EU Bail-In Legislation Schedule" shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Eurodollar Rate" shall mean with respect to each Interest Period for a Loan, the offered rate (rounded upward to the nearest 1/100 of one percent) for deposits of Dollars for a period equivalent to such period at or about 11:00 A.M. (London time) on the second Business Day before the first day of such period as is displayed on Reuters LIBOR 01 Page (or such other service as may be nominated by the ICE Benchmark Administration (or the successor thereto if the ICE Benchmark Administration is no longer making a London Interbank Offered Rate available) (the "Screen Rate"), provided that if the Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided, further that if on such date no such rate is so displayed, the Eurodollar Rate for such period shall be the arithmetic average (rounded upward to the nearest 1/100 of 1%) of the rate quoted to the Administrative Agent by the Reference Banks for deposits of Dollars in an amount approximately equal to the amount in relation to which the Eurodollar Rate is to be determined for a period equivalent to such applicable Interest Period by the prime banks in the London interbank Eurodollar market at or about 11:00 A.M. (London time) on the second Business Day before the first day of such period, in each case divided (and rounded upward to the nearest 1/100 of 1%) by a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves required by applicable law) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); provided that in the event the Eurodollar Rate calculated in the immediately preceding proviso shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Event of Default" shall have the meaning provided in Section 9.

"Event of Loss" shall mean any of the following events: (x) the actual or constructive total loss of a Collateral Vessel or the agreed or compromised total loss of a Collateral Vessel; or (y) the capture, condemnation, confiscation, expropriation, requisition for title and not hire, purchase, seizure or forfeiture of, or any taking of title to, a Collateral Vessel. An Event of Loss shall be deemed to have occurred: (i) in the event of an actual loss of a Collateral Vessel, at the time and on the date of such loss or if that is not known at noon Greenwich Mean Time on the date which such Collateral Vessel was last heard from; (ii) in the event of damage which results in a constructive or compromised or arranged total loss of a Collateral Vessel, at the time and on the date on which notice claiming the loss of the Collateral Vessel is given to the insurers; or (iii) in the case of an event referred to in clause (y) above, at the time and on the date on which such event is expressed to take effect by the Person making the same. Notwithstanding the foregoing, if such Collateral Vessel shall have been returned to any Credit Party following any event referred to in clause (y) above prior to the date upon which payment is required to be made under Section 4.02(c), no Event of Loss shall be deemed to have occurred by reason of such event.

"Exchange Act" shall mean the Securities Exchange Act of 1934.

"Excluded Swap Obligation" shall mean, with respect to any Credit Party, any Swap Obligation if, and to the extent that, all or a portion of the guaranty of such Credit Party of, or the grant by such Credit Party of a security interest to secure, such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Credit Party's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder (each an "ECP") at the time the guaranty of such Credit Party or the grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee or security interest is or becomes illegal.

"Excluded Taxes" shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.12) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 4.04, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 4.04(c), (d) any U.S. federal withholding Taxes imposed under FATCA.

"Executive Order" shall have the meaning provided in Section 6.19(a).

"FATCA" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantially comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

"Federal Funds Rate" shall mean, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11:00 A.M. (New York time) on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"Fee Letter" shall mean (i) that certain fee letter dated as of the date hereof among the Borrower and the Lead Arrangers and (ii) that certain agency fee letter dated as of the date hereof among the Borrower and ABN AMRO.

"Fees" shall mean all amounts payable pursuant to or referred to in Section 3.01.

"Financial Covenants" shall mean the covenants set forth in Section 8.07.

"Financial Indebtedness" shall mean, as to any Person at any date of determination, without duplication, (i) all obligations of such Person for principal, interest or any other sum payable in respect of any moneys borrowed or raised by such Person, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of any acceptance credit, guarantee, or letter of credit facility or equivalent made available to such Person (including reimbursement obligations with respect thereto), (iv) all obligations of such Person to pay the deferred purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery thereof or the completion of such services, except trade payables, (v) all Capitalized Lease Obligations of such Person as lessee, (vi) all Financial Indebtedness of persons other than such Person secured by a security interest on any asset of such Person, whether or not such Financial Indebtedness is assumed by such Person; provided that the amount of such Financial Indebtedness shall be the lesser of (i) the fair market value of such asset at such date of determination and (ii) the amount of such Financial Indebtedness, and (vii) all Financial Indebtedness of persons other than such Person under any guarantee, indemnity or similar obligation entered into by such Person to the extent such Financial Indebtedness is guaranteed, indemnified, etc., by such Person. The amount of Financial Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations described in clauses (vi) and (vii) above, the maximum liability upon the occurrence of the contingency giving rise to the obligation, provided that (i) the amount outstanding at any time of any Financial Indebtedness issued with an original issue discount is the face amount of such Financial Indebtedness less the remaining unamortized portion of such original issue discount of such Financial Indebtedness at such time and (ii) Financial Indebtedness shall not include any liability for taxes.

"Flag Jurisdiction" shall mean, with respect to any Collateral Vessel, the flag jurisdiction of such Collateral Vessel on the Borrowing Date, which, for the avoidance of doubt, must be an Acceptable Flag Jurisdiction.

"Flag Jurisdiction Transfer" shall mean the transfer of the registration and flag of a Collateral Vessel from one Acceptable Flag Jurisdiction to another Acceptable Flag Jurisdiction, provided that the following conditions are satisfied with respect to such exchange:

(i) On each Flag Jurisdiction Transfer Date, the Credit Party which is consummating a Flag Jurisdiction Transfer on such date shall have duly authorized, executed and delivered, and caused to be recorded in the appropriate vessel registry a Collateral Vessel Mortgage (which Collateral Vessel Mortgage shall, to the extent possible, be registered as a "continuation mortgage" to the original Collateral Vessel Mortgage recorded in the initial Acceptable Flag Jurisdiction) with respect to the Collateral Vessel being transferred (the "Transferred Collateral Vessel") and such Collateral Vessel Mortgage shall be effective to create in favor of the Collateral Agent and/or the Lenders a legal, valid and enforceable first priority security interest, in and lien upon such Transferred Collateral Vessel, subject only to Permitted Liens. All filings, deliveries of instruments and other actions necessary or desirable in the reasonable opinion of the Collateral Agent to perfect and preserve such security interests shall have been duly effected and the Collateral Agent shall have received evidence thereof in form and substance reasonably satisfactory to the Collateral Agent.

(ii) On each Flag Jurisdiction Transfer Date, the Administrative Agent shall have received from counsel to the Credit Parties consummating the relevant Flag Jurisdiction Transfer reasonably

satisfactory to the Administrative Agent practicing in those jurisdictions in which the Transferred Collateral Vessel is registered and/or the Credit Party owning such Transferred Collateral Vessel is organized, opinions which shall be addressed to the Administrative Agent and each of the Lenders and dated such Flag Jurisdiction Transfer Date, which shall (x) be in form and substance reasonably acceptable to the Administrative Agent and (y) cover the perfection of the security interests granted pursuant to the Collateral Vessel Mortgage(s) and such other matters incident thereto as the Administrative Agent may reasonably request.

(iii) On each Flag Jurisdiction Transfer Date:

(A) the Administrative Agent shall have received (x) a certificate of ownership issued by the registry of the applicable Acceptable Flag Jurisdiction showing the registered ownership of the Transferred Collateral Vessel transferred on such date in the name of the relevant Subsidiary Guarantor and (y) a certificate of ownership and encumbrance or, as applicable a transcript of registry with respect to the Transferred Collateral Vessel transferred on such date, indicating no record liens other than Liens in favor of the Collateral Agent and/or the Lenders and Permitted Liens; and

(B) the Administrative Agent shall have received a certificate reasonably satisfactory to the Administrative Agent, from a firm of independent marine insurance brokers reasonably acceptable to the Administrative Agent with respect to the insurance maintained by the Credit Party in respect of the Transferred Collateral Vessel transferred on such date certifying that such insurances (i) are placed with such insurance companies and/or underwriters and/or clubs, in such amounts, against such risks, and in such form, as are customarily insured against by similarly situated insureds for the protection of the Collateral Agent as mortgagee and (ii) conform with the insurance requirements of the respective Collateral Vessel Mortgages.

(iv) On or prior to each Flag Jurisdiction Transfer Date, the Administrative Agent shall have received a certificate, dated the Flag Jurisdiction Transfer Date, signed by an Authorized Officer, member, general partner or attorney in fact of the relevant Credit Party consummating such Flag Jurisdiction Transfer, certifying that (A) all necessary governmental (domestic and foreign) and third party approvals and/or consents in connection with the Flag Jurisdiction Transfer being consummated on such date and otherwise referred to herein shall have been obtained and remain in effect or that no such approvals and/or consents are required and (B) there exists no judgment, order, injunction or other restraint prohibiting or imposing materially adverse conditions upon such Flag Jurisdiction Transfer or the other transactions contemplated by this Agreement.

(v) On each Flag Jurisdiction Transfer Date, the Collateral and Guaranty Requirements, as applicable, for the Transferred Collateral Vessel shall have been satisfied.

(vi) On each Flag Jurisdiction Transfer Date, (a) no Event of Default has occurred and is continuing and (b) all representations and warranties contained herein or in any other Credit Document shall be true and correct in all material respects (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

"Flag Jurisdiction Transfer Date" shall mean the date on which a Flag Jurisdiction Transfer occurs.

"Fleet Vessels" shall mean any vessel (including the Collateral Vessels) from time to time owned by the Borrower or any of its Subsidiaries.

"Foreign Official" shall mean an officer, employee, or any person acting on behalf of any foreign governmental body at the national, state, county, city, municipal, or any other level (including any department, agency, or instrumentality thereof), as well as entities partially or wholly-owned or controlled by such a governmental body, state-owned or controlled companies, and entities owned by sovereign wealth funds. The term also includes any officer, employee, or any person acting on behalf of a public international organization, a political party, party official, or candidate thereof.

"Foreign Pension Plan" shall mean any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by the Borrower or any one or more of its Subsidiaries primarily for the benefit of employees of the Borrower or such Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, and which plan would be covered by Title IV of ERISA but which is not subject to ERISA by reason of Section 4(b)(4) of ERISA.

"GAAP" shall have the meaning provided in Section 11.07(a).

"General Assignment Agreement" shall have the meaning provided in the definition of "Collateral and Guaranty Requirements".

"Governmental Authority" shall mean the government of the United States, any other nation or any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Hazardous Materials" shall mean: (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous substances," "restricted hazardous waste," "toxic substances," "toxic pollutants," "contaminants," or "pollutants," or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Authority under Environmental Laws.

"Immaterial Newbuild Subsidiary" shall mean, any Subsidiary of the Borrower which, as of any date of determination, owns no material assets or has no material liabilities other than pursuant to or arising out of a shipbuilding contract (excluding, for the avoidance of doubt, any Subsidiary that is a Subsidiary Guarantor, Collateral Vessel Owner or which has taken delivery of and owns a vessel other than a Collateral Vessel), provided that no shipyard counterparty to the relevant shipbuilding contract shall have any outstanding recourse to (or otherwise be a creditor of) the Borrower and/or any Material Subsidiary of the Borrower pursuant to any guarantee or credit support in connection with the relevant shipbuilding contract (or related documentation)

"Immaterial Subsidiary" shall mean, at any time, any one or more Subsidiaries of the Borrower that (i) as of the date of the most recent financial statements required to be delivered pursuant to Section 7.01(a) or (b) do not, individually or in the aggregate with all other Immaterial Subsidiaries, have gross assets (excluding goodwill and intra-group items) in excess of 5.0 % of consolidated total assets of the Borrower

and its Subsidiaries, taken as a whole and (ii) have no obligations which are recourse to the Borrower or any Material Subsidiary of the Borrower.

"Indemnified Taxes" shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Credit Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Initial Borrowing Date" shall mean the date occurring after the Closing Date on which the initial Borrowing of Loans hereunder occurs.

"Interest Determination Date" shall mean, with respect to any Loan, the second Business Day prior to the commencement of any Interest Period relating to such Loan.

"Interest Period" shall have the meaning provided in Section 2.08.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest collar agreement, interest rate hedging agreement, interest rate floor agreement or other similar agreement or arrangement meant to hedge interest rate fluctuations under this Agreement.

"Intra-Group Charter" shall mean (i) any time charter, bareboat charter or other similar contract of employment of a Collateral Vessel made between a Collateral Vessel Owner and a charterer that is either a Credit Party or a Wholly-Owned Subsidiary of the Borrower and (ii) any time charter of a Collateral Vessel made between a Collateral Vessel Owner and any Affiliate of the Borrower in connection with Permitted Scorpio Pooling Arrangements.

"Investments" shall have the meaning provided in Section 8.05.

"ISM Code" shall mean the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation Assembly as Resolutions A.741 (18) and A.788 (19), as the same may be amended or supplemented from time to time.

"ISPS Code" shall mean the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organisation ("IMO") adopted by a diplomatic conference of the IMO on Maritime Security on 13 December 2002 and now set out in Chapter XI-2 of the Safety of Life at Sea Convention (SOLAS) 1974 (as amended) to take effect on 1 July 2004.

"Lead Arrangers" shall have the meaning provided in the first paragraph of this Agreement.

"Leaseholds" of any Person shall mean all the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Legal Requirement" shall mean, as to any Person, any law, treaty, convention, statute, ordinance, decree, award, requirement, order, writ, judgment, injunction, rule, regulation (or official interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority which is binding on such Person.

"Lender" shall mean each financial institution with a Commitment and/or with outstanding Loans and listed on Schedule I hereto, as well as any Person which becomes a "Lender" hereunder pursuant to Section 11.04(b).

"Lender Creditors" shall mean the Lenders holding from time to time outstanding Loans and/or Commitments, the Administrative Agent and the Collateral Agent, each in their respective capacities.

"Lender Default" shall mean, as to any Lender, (i) the wrongful refusal (which has not been retracted) of such Lender or the failure of such Lender (which has not been cured) to make available its portion of any Borrowing, (ii) such Lender having been deemed insolvent or having become the subject of a bankruptcy or insolvency proceeding or a takeover by a regulatory authority, (iii) such Lender having notified the Administrative Agent and/or any Credit Party (x) that it does not intend to comply with its obligations under Section 2.01 in circumstances where such non-compliance would constitute a breach of such Lender's obligations under the respective Section or (y) of the events described in preceding clause (ii), or (iv) such Lender having become the subject of a Bail-In Action; provided that, a Lender Default shall not exist, and a Lender shall not be a Defaulting Lender, solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender; provided that, for purposes of (and only for purposes of) Section 2.12, the term "Lender Default" shall also include, as to any Lender, (i) any Affiliate of such Lender that has "control" (within the meaning provided in the definition of "Affiliate") of such Lender having been deemed insolvent or having become the subject of a bankruptcy or insolvency proceeding or a takeover by a regulatory authority, (ii) any previously cured "Lender Default" of such Lender under this Agreement, unless such Lender Default has ceased to exist for a period of at least 90 consecutive days, (iii) any default by such Lender with respect to its obligations under any other credit facility to which it is a party and which the Administrative Agent believes in good faith has occurred and is continuing, and (iv) the failure of such Lender to make available its portion of any Borrowing within one (1) Business Day of the date (x) the Administrative Agent (in its capacity as a Lender) or (y) Lenders constituting the Required Lenders has or have, as applicable, funded its or their portion thereof.

"Leverage Ratio" shall mean, at any date of determination, the ratio of Net Debt of the Borrower and its Subsidiaries on such date to Consolidated Total Capitalization of the Borrower and its Subsidiaries on such date.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security interest of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice validly filed under the UCC or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

"Loan" shall have the meaning provided in Section 2.01.

"Management Agreement" shall mean the deed of master agreement, dated September 27, 2013 as amended and restated by a deed of amendment and restatement effective as of September 29, 2016 entered into by the Borrower and, inter alios, the owner of each Collateral Vessel, the Technical Manager and the Commercial Manager together with confirmations entered into between the relevant owner of each Collateral Vessel and either the Technical Manager or Commercial Manager (as applicable) with respect to the management of each Collateral Vessel.

"Margin Regulations" shall mean Regulations T, U and X issued by the Board of Governors of the United States Federal Reserve System and any successor regulations thereto, as in effect from time to time.

"Margin Stock" shall have the meaning provided in Regulation U.

"Market Disruption Event" shall mean either of the following events:

(i) if, at or about noon on the Interest Determination Date for the relevant Interest Period, the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Administrative Agent to determine the Eurodollar Rate for the relevant Interest Period; or

(ii) before close of business in New York on the Interest Determination Date for the relevant Interest Period, the Administrative Agent receives notice from a Lender or Lenders whose outstanding Loans exceed 50% of the aggregate Loans outstanding at such time that (i) the cost to such Lenders of obtaining matching deposits in the London interbank Eurodollar market for the relevant Interest Period would be in excess of the Eurodollar Rate for such Interest Period or (ii) such Lenders are unable to obtain funding in the London interbank Eurodollar market; or

(iii) the administrator of the Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Rate or Eurodollar Rate shall no longer be used for determining interest rates for loans.

"Material Adverse Effect" shall mean any event, change or condition that, individually or taken as a whole has had, or could reasonably be expected to have, a material adverse effect (v) on the rights or remedies of the Lender Creditors under the Credit Facility, (w) on the ability of any of the Credit Parties (individually or taken as a whole) to perform its or their obligations to the Lender Creditors under the Credit Facility, (x) with respect to the Transaction or (y) on the property, assets, operations, liabilities or financial condition of the Borrower or the Subsidiary Guarantors taken as a whole.

"Materiality Amount" shall mean $10,000,000.

"Material Subsidiary" shall mean any Subsidiary of the Borrower which is not an Immaterial Subsidiary or an Immaterial Newbuild Subsidiary.

"Maturity Date" shall mean February 15, 2023.

"Minimum Liquidity" shall have the meaning provided in Section 8.07(a).

"Moody's" shall mean Moody's Investors Service, Inc. and its successors.

"Multiemployer Plan" shall mean an "employee pension benefit plan" (within the meaning of Section 3(2) of ERISA) which is a "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA) and which is currently contributed to by (or to which there is a current obligation to contribute of) the Borrower or a Subsidiary of the Borrower or any ERISA Affiliate (other than any Person who is considered an ERISA Affiliate solely pursuant to subsection (m) or (o) of Section 414 of the Code), and any such "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA) to which the Borrower or a Subsidiary of the Borrower or any ERISA Affiliate (other than any Person who is considered an ERISA Affiliate solely pursuant to subsection (m) or (o) of Section 414 of the Code) contributed to or had an obligation to contribute to such "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA) during the preceding five-year period.

"Net Debt" shall mean, at any time of determination, Financial Indebtedness of the Borrower and its Subsidiaries at such time minus cash and Cash Equivalents of the Borrower and its Subsidiaries at such time.

"Net Worth" shall mean, as to any Person, the sum of its capital stock, capital in excess of par or stated value of shares of its capital stock, retained earnings and any other account which, in accordance with GAAP, constitutes stockholders' equity, but excluding treasury stock and the effect of any impairment of intangible assets on and after the Closing Date.

"Non-Consenting Lender" shall have the meaning provided in Section 11.13(b).

"Non-Defaulting Lender" shall mean and include each Lender other than a Defaulting Lender.

"Note" shall have the meaning provided in Section 2.05(a).

"Notice of Borrowing" shall have the meaning provided in Section 2.03.

"Notice Office" shall mean the office of the Administrative Agent located at Syndicated Loans Agency, Daalsesingel 71, 3511 SW Utrecht, The Netherlands, PAC: EA8550 or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Obligations" shall mean all amounts owing to the Administrative Agent, the Collateral Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document. Notwithstanding anything to the contrary contained herein or in any other Credit Document, in no event will the Obligations include any Excluded Swap Obligations.

"OFAC" shall have the meaning provided in Section 6.19(b).

"OPA" shall mean the Oil Pollution Act of 1990, as amended, 33 U.S.C. § 2701 et seq., 46 U.S.C. §3703(a) et seq.

"Organizational Documents" with respect to any Credit Party shall mean the memorandum of association or certificate of incorporation, as the case may be, certificate of formation (including, without limitation, by the filing or modification of any certificate of designation), by-laws, limited liability company agreement or partnership agreement (or equivalent organizational documents) of such Credit Party.

"Other Connection Taxes" shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Credit Document, or sold or assigned an interest in any Loan or Credit Document).

"Other Creditors" shall mean any Lender or any affiliate thereof and their successors and assigns if any (even if such Lender subsequently ceases to be a Lender under this Agreement for any reason), with which the Borrower enters into any Interest Rate Protection Agreements from time to time.

"Other Obligations" shall mean all obligations, liabilities and indebtedness (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Credit Party at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such proceeding, but excluding for the avoidance of doubt, any Excluded Swap Obligations) owing by any Credit Party to the Other Creditors under, or with respect to (including, in the case of any Subsidiary Guarantor, all such obligations (other than Excluded Swap Obligations), liabilities and indebtedness under the Subsidiaries Guaranty), any Secured Interest Rate Protection Agreement, whether such Secured Interest Rate Protection

Agree-ment is now in existence or here-after arising, and the due performance and compliance by such Credit Party with all of the terms, conditions and agreements contained therein.

"Other Taxes" shall have the meaning provided in Section 4.04(b).

"Overhead Expenses" shall mean any and all administrative and overhead expenses, including, without limitation, expenses for payroll and benefits, insurance, real estate, travel, technology, rent, utilities, dues and subscriptions, marketing and communications, service agreements, office equipment and supplies, inspections and appraisals for vessels, business development and taxes.

"Participant Register" shall have the meaning provided in Section 11.04(a).

"PATRIOT Act" shall have the meaning provided in Section 11.21.

"Payment Date" shall mean (i) the last Business Day of each September, December, March and June, commencing with the last Business Day of the first full fiscal quarter following the Initial Borrowing Date and (ii) the Maturity Date.

"Payment Office" shall mean the office of the Administrative Agent located at Agency Services Nederland, Foppingadreef 22, 1102 BS Amsterdam, The Netherlands, PAC: AA8124 or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Permitted Liens" shall have the meaning provided in Section 8.01.

"Permitted Scorpio Pooling Arrangements" shall mean any traditional pooling arrangements with an Affiliate of the Borrower in respect of the employment of any Collateral Vessel in a pool of similar types of vessels entered into on an arm's length basis.

"Permitted Third Party Charter" shall mean any charter or other similar contract of employment of a Collateral Vessel made between a Collateral Vessel Owner and a third party charterer that is not a Credit Party or a Wholly-Owned Subsidiary of the Borrower; provided that (x) the Borrower shall provide prompt notice to the Administrative Agent of any charter or other similar contract of employment made (i) for a period which, as of the execution date, with the exercise of any extension option, has a term of longer than 24 months or (ii) for less than market rate at the time when the charter or other similar contract of employment is fixed, and (y) no such charter or other similar contract of employment shall be a bareboat charter or demise charter.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any "employee pension benefit plan" as defined in Section 3(2) of ERISA, which is currently maintained or contributed to by (or to which there is a current obligation to contribute of) the Borrower or a Subsidiary of the Borrower or any ERISA Affiliate and which is subject to ERISA.

"Pledged Securities" shall mean "Securities" as defined in the Share Pledge Agreement pledged (or required to be pledged) pursuant thereto.

"Preferred Equity", as applied to the Equity Interests of any Person, shall mean the Equity Interests of such Person (other than common Equity Interests of such Person) of any class or classes (however designed) that ranks prior, as to the payment of dividends or as to the distribu-tion of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Equity Interests of any other class of such Person, and shall include any Disqualified Stock.

"Pro Rata Share" shall have the definition provided in Section 4.05(b).

"Qualified Capital Stock" shall mean any Equity Interest other than Disqualified Stock.

"Recipient" shall mean (a) any Agent and (b) any Lender.

"Real Property" of any Person shall mean all the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Reference Banks" shall mean, at any time, (i) if there are two or fewer Lenders at such time, each Lender and (ii) if there are three or more Lenders at such time, each Lead Arranger and one other Lender as shall be determined by the Administrative Agent.

"Register" shall have the meaning provided in Section 11.17.

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve Systems as from time to time in effect and any successor to all or a portion thereof.

"Release" shall mean any releasing or threatening to release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing or migration into, on or about the environment or any structure.

"Relevant Vessel" shall have the meaning provided in Section 2.01.

"Replaced Lender" shall have the meaning provided in Section 2.12.

"Replacement Lender" shall have the meaning provided in Section 2.12.

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan (other than any Plan maintained by a Person who is considered an ERISA Affiliate solely pursuant to subsection (m) or (o) of Section 414 of the Code or any Multiemployer Plan) that is subject to Title IV of ERISA other than those events as to which the 30-day notice period referred to in Section 4043 is waived.

"Representative" shall have the definition provided in Section 4.05(d).

"Required Insurance" shall mean insurance as set forth on Schedule IV-A hereto.

"Required Lenders" shall mean, at any time, Non-Defaulting Lenders the sum of whose outstanding Loans and Commitments at such time represents in excess of 66-2/3% of the sum of all outstanding Loans and Commitments of Non-Defaulting Lenders.

"Restricted Party" shall mean a person (a) that is listed on any Sanctions List (whether designated by name or by reason of being included in a class of person); (b) that is domiciled, registered as located or having its main place of business in, or is incorporated under the laws of, a country which is subject to country- or territory-wide Sanctions Laws; (c) that is directly or indirectly owned or controlled by a Person referred to in clauses (a) and/or (b) above; or (d) with which any Lender is prohibited from dealing or otherwise engaging in a transaction with by any Sanctions Laws.

"Restricted Payment" with respect to any Person shall mean any Dividend in respect of the Equity Interests of the Borrower.

"Returns" shall have the meaning provided in Section 6.11(b).

"S&P" shall mean Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., and its successors.

"Sanctions Authority" shall mean the United Nations, the European Union, the member states of the European Union, the United Kingdom, the United States of America and any authority acting on behalf of any of them in connection with Sanctions Laws.

"Sanctions Laws" shall mean the economic or financial sanctions laws and/or regulations, trade embargoes, prohibitions, restructure measures, decisions, executive orders or notices from regulators implemented, adapted, imposed, administered, enacted and/or enforced by any Sanctions Authority.

"Sanctions List" shall mean any list of prohibited persons or entities published in connection with Sanctions Laws by or on behalf of any Sanctions Authority.

"Scheduled Term Amortization Payment Amount" shall mean, for any Payment Date, the sum of the Collateral Vessel Amortization Amounts for such Payment Date for each Collateral Vessel then owned by the Borrower or any Subsidiary Guarantor.

"Screen Rate" shall have the meaning provided in the definition of Eurodollar Rate.

"Secured Creditors" shall mean collectively the Other Creditors together with the Lender Creditors.

"Secured Interest Rate Protection Agreement" shall mean any Interest Rate Protection Agreement meant to hedge interest rate or currency fluctuations under this Agreement.

"Secured Obligations" shall mean (i) the Credit Document Obligations, (ii) the Other Obligations, (iii) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral, (iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations or liabilities of the Credit Parties referred to in clauses (i) and (ii) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs, and (v) all amounts paid by any Secured Creditor as to which such Secured Creditor has the

right to reimbursement under the Security Documents. In no event will the Secured Obligations include any Excluded Swap Obligations.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Documents" shall mean the Share Pledge Agreement (including all joinders and supplements thereto), the Account Pledge Agreement (including all joinders and supplements thereto), the General Assignment Agreement (including all joinders and supplements thereto), any Hedging Assignment Agreement (if applicable), each Collateral Vessel Mortgage, each Account Control Agreement and, after the execution and delivery thereof, each additional security document executed pursuant to Section 7.11.

"Seller" shall mean, collectively, the relevant Subsidiaries of Golden Ocean Group Ltd.

"Seller's Bank" shall have the meaning provided in Section 5.02.

"Share Pledge Agreement" shall have the meaning set forth in the definition of "Collateral and Guaranty Requirements".

"Share Pledge Agreement Collateral" shall mean all "Collateral" as defined in the Share Pledge Agreement.

"Specified Requirements" shall mean the requirements set forth in clauses (i), (vi), (viii), (ix)(a), (ix)(b), (ix)(c) and (ix)(f) of the definition of "Collateral and Guaranty Requirements."

"Subsidiaries Guaranty" shall have the meaning provided in the definition of "Collateral and Guaranty Requirements".

"Subsidiary" shall mean, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time.

"Subsidiary Guarantor" shall mean each wholly-owned direct and indirect Subsidiary of the Borrower that owns, directly or indirectly, any Collateral Vessel, on a joint and several basis, each such Subsidiary to be party to the Subsidiaries Guaranty or execute a counterpart thereof after the Closing Date.

"Swap Obligation" shall mean, with respect to any Credit Party, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

"Taxes" shall mean all present or future taxes, levies, imposts, duties, fees, assessments, deductions, withholdings or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Technical Manager" shall mean, collectively, one or more technical managers selected by the Borrower and reasonably acceptable to the Required Lenders, including, without limitation Scorpio Ship Management S.A.M.

"Test Period" shall mean each period of four consecutive fiscal quarters, in each case taken as one accounting period.

"Total Commitment" shall mean, at any time, the sum of the Commitments of each of the Lenders at such time.

"Transaction" shall mean, collectively, (i) each Collateral Vessel Acquisition, (ii) the entering into of the Credit Documents and the incurrence of Loans hereunder and (iii) the payment of all fees and expenses in connection with the foregoing.

"Transferred Collateral Vessel" shall have the meaning provided in the definition of "Flag Jurisdiction Transfer" in this Section 1.01.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, as of the most recent valuation date for the applicable Plan, by which the present value of the Plan's benefit liabilities determined in accordance with actuarial assumptions at such time consistent with those prescribed by Section 430 of the Code and Section 303 of ERISA, exceeds the fair market value of all plan assets allocable to such liabilities under Title IV of ERISA.

"United States" and "U.S." shall each mean the United States of America.

"Vessel Acquisition Documentation" shall mean the documentation entered into by any Credit Party or Subsidiary of any Credit Party in connection with the acquisition of a Collateral Vessel.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock (other than director's qualifying shares) is at the time directly or indirectly owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has directly or indirectly a 100% equity interest at such time.

"Write-Down and Conversion Powers" shall mean, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.02 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Credit Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Credit Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms not defined in Section 1.01 shall have the respective meanings given to them under GAAP, (ii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (iii) the word "incur" shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words "incurred" and "incurrence" shall have correlative meanings), (iv) unless the context otherwise requires, the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Equity Interests, securities, revenues, accounts, leasehold interests and contract rights, (v) the word "will" shall be construed to have the same meaning and effect as the word "shall", and

(vi) unless the context otherwise requires, any reference herein (A) to any Person shall be construed to include such Person's successors and assigns and (B) to the Borrower or any other Credit Party shall be construed to include the Borrower or such Credit Party as debtor and debtor-in-possession and any receiver or trustee for the Borrower or any other Credit Party, as the case may be, in any insolvency or liquidation proceeding.

(c) The words "hereof", "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

1.03 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement (or required to be satisfied in order for a specific action to be permitted under this Agreement) shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding up if there is no nearest number).

Section 2. Amount and Terms of the Credit Facility

2.01 The Commitments

Subject to and upon the terms and conditions set forth herein, each Lender with a Commitment severally agrees to make a term loan or term loans (each, a "Loan" and, collectively, the "Loans") to the Borrower, which Loans: (i) may only be incurred pursuant to a single drawing on the Borrowing Date relating to a Collateral Vessel, which shall occur in each case on or after the Closing Date and prior to the Commitment Termination Date for such Collateral Vessel, (ii) shall be denominated in Dollars and (iii) shall be made by each such Lender in an aggregate principal amount which does not exceed the Commitment of such Lender on the relevant Borrowing Date (determined before giving effect on such Borrowing Date to the termination thereof on such date pursuant to Section 3.03). Once repaid, Loans incurred hereunder may not be reborrowed. Notwithstanding the foregoing, in no event will the principal amount of the Loans made on the Borrowing Date in respect of a Collateral Vessel exceed the lesser of (A) the applicable amount set forth opposite the Collateral Vessel with respect to which Loans are made on the Borrowing Date (a "Relevant Vessel") under the heading "Maximum Loan Amount" in Schedule VI hereto and (B) 60% of the Appraised Value of the Relevant Vessel as determined in accordance with the Appraisals delivered in connection with the Collateral and Guaranty Requirements for such Relevant Vessel.

2.02 Minimum Amount of Each Borrowing; Limitation on Number of Borrowings. The aggregate principal amount of each Borrowing of Loans shall not be less than $1,000,000. More than one Borrowing may occur on the same date.

2.03 Notice of Borrowing. Whenever the Borrower desires to incur Loans hereunder, it shall give the Administrative Agent at the Notice Office at least five Business Days' prior notice of each Loan to be incurred hereunder, provided that (in each case) any such notice shall be deemed to have been given on a certain day only if given before 12:00 Noon (Amsterdam time) on such day. Each such written notice (each, a "Notice of Borrowing"), except as otherwise expressly provided in Section 2.09, shall be irrevocable and shall be given by the Borrower substantially in the form of Exhibit A, appropriately completed to specify and include:

(i) the aggregate principal amount of the Loans to be incurred pursuant to such Borrowing,

(ii) the calculations required to establish whether the Borrower is in compliance with the provisions of Section 2.01 for the Relevant Vessel,

(iii) the date of such Borrowing (which shall be a Business Day),

(iv) the name of the Relevant Vessel being acquired on such date, and

(v) the initial Interest Period to be applicable thereto in accordance with Section 2.08.

The Administrative Agent shall promptly (and in no event less than three Business Days prior to the proposed Borrowing Date) give each Lender notice of such proposed Borrowing, of such Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

2.04 Disbursement of Funds. Except as otherwise specifically provided in the immediately succeeding sentence, no later than 12:00 Noon (New York time) on the date specified in each Notice of Borrowing, each Lender will make available its pro rata portion of each such Borrowing requested to be made on such date. All such amounts shall be made available in Dollars and in immediately available funds at the Payment Office of the Administrative Agent and the Administrative Agent will make available to the Borrower (on such day to the extent of funds actually received by the Administrative Agent prior to 12:00 Noon (New York time) on such day) at the Payment Office, in the account specified in the applicable Notice of Borrowing, the aggregate of the amounts so made available by the Lenders. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to the Administrative Agent such Lender's portion of any Borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover on demand from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower until the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if recovered from such Lender, the overnight Federal Funds Rate and (ii) if recovered from the Borrower, the rate of interest applicable to the respective Borrowing, as determined pursuant to Section 2.07.

2.05 Notes. (a) The Borrower's obligation to pay the principal of, and interest on, the Loans made by each Lender shall be evidenced in the Register maintained by the Administrative Agent pursuant to Section 11.17 and shall, if requested by such Lender, also be evidenced by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B, with blanks appropriately completed in conformity herewith (each, a "Note" and, collectively, the "Notes").

(b) Each Lender will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will, prior to any transfer of any of its Notes, endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation or any error in any such notation or endorsement shall not affect the Borrower's obligations in respect of such Loans.

(c) Notwithstanding anything to the contrary contained above in this Section 2.05 or elsewhere in this Agreement, Notes shall be delivered only to Lenders that at any time specifically request the delivery of such Notes. No failure of any Lender to request or obtain a Note evidencing its Loans to the Borrower shall affect or in any manner impair the obligations of the Borrower to pay the Loans (and all related Obligations) incurred by the Borrower that would otherwise be evidenced thereby in accordance with the requirements of this Agreement, and shall not in any way affect the security or guaranties therefor provided

pursuant to the Credit Documents. Any Lender that does not have a Note evidencing its outstanding Loans shall in no event be required to make the notations on such Note otherwise described in preceding clause (b). At any time (including, without limitation, to replace any Note that has been destroyed or lost) when any Lender requests the delivery of a Note to evidence any of its Loans, the Borrower shall promptly execute and deliver to such Lender the requested Note in the appropriate amount or amounts to evidence such Loans, provided that, in the case of a substitute or replacement Note, the Borrower shall have received from such requesting Lender (i) an affidavit of loss or destruction and (ii) a customary lost/destroyed Note indemnity, in each case in form and substance reasonably acceptable to the Borrower and such requesting Lender, and duly executed by such requesting Lender.

2.06 Pro Rata Borrowings. All Borrowings Loans under this Agreement shall be incurred from the Lenders pro rata on the basis of their Commitments. It is understood that no Lender shall be responsible for any default by any other Lender of its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Loans hereunder.

2.07 Interest. (a) The Borrower agrees to pay interest in respect of the unpaid principal amount of each Loan from the date of Borrowing thereof until the maturity thereof (whether by acceleration or otherwise) at a rate per annum which shall be equal to the sum of the Applicable Margin plus the Eurodollar Rate for the relevant Interest Period, each as in effect from time to time.

(b) If the Borrower fails to pay any amount payable by it under a Credit Document on its due date, interest shall accrue on the overdue amount (in the case of overdue interest to the extent permitted by law) from the due date up to the date of actual payment (both before and after judgment) at a rate which is, subject to paragraph (c) below, 2% plus the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan for successive Interest Periods, each of a duration selected by the Administrative Agent. Any interest accruing under this Section 2.07(b) shall be immediately payable by the Borrower on demand by the Administrative Agent

(c) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to such Loan:

(i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and

(ii) the rate of interest applying to the overdue amount during that first Interest Period shall be 2% plus the rate which would have applied if the overdue amount had not become due.

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.

(d) Accrued and unpaid interest shall be payable (i) on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period and on the last day of the Interest Period, and (ii) on any repayment or prepayment (on the amount repaid or prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(e) Upon each Interest Determination Date, the Administrative Agent shall determine the Eurodollar Rate for each Interest Period applicable to the Loans to be made pursuant to the applicable Borrowing and shall promptly notify the Borrower and the respective Lenders thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

2.08 Interest Periods. At the time the Borrower gives any Notice of Borrowing in respect of the making of any Loan (in the case of the initial Interest Period applicable thereto) or on the third Business Day prior to the expiration of an Interest Period applicable to such Loan (in the case of any subsequent Interest Period) (provided that any such notice shall be deemed to be given on a certain day only if given before 12:00 Noon (Amsterdam time)), it shall have the right to elect, by giving the Administrative Agent notice thereof, the interest period (each an "Interest Period") applicable to such Loan, which Interest Period shall, at the option of the Borrower, be a one (1), three (3) or six (6) month period (or such other period as the Administrative Agent may agree with the Borrower); provided that no more than three one (1) month interest periods shall be permitted per calendar year and further provided that:

3.08

(i) all Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) if any Interest Period relating to a Loan begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the first succeeding Business Day; provided, however, that if any Interest Period for a Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;

(iv) no Interest Period in respect of any Borrowing of Loans shall be selected which extends beyond the Maturity Date;

(v) any Interest Period commencing less than one month prior to the Maturity Date shall end on the Maturity Date;

(vi) unless the Required Lenders otherwise agree, no Interest Period longer than three months may be selected at any time when a Default or Event of Default has occurred and is continuing;

(vii) if, at any time, the Borrower shall select an Interest Period of less than one month for any Loan, then the Eurodollar Rate applicable to such Loan for such Interest Period shall be based on (x) the Screen Rate at such time, if available, or (y) if the Screen Rate is not then available, the rate supplied by the Reference Banks to the Administrative Agent to determine the Eurodollar Rate for such Interest Period;

(viii) no Interest Period shall be selected which extends beyond any date upon which a scheduled repayment of Loans will be required to be made under Section 4.02(a) if the aggregate principal amount of Loans which have Interest Periods which will expire after such date will be in excess of the aggregate principal amount of Loans then outstanding less the aggregate amount of such required repayment on such date; and

(ix) no more than 6 Interest Periods shall be outstanding at any time.

If upon the expiration of any Interest Period applicable to a Borrowing of Loans, the Borrower has failed to elect a new Interest Period to be applicable to such Loans as provided above, the Borrower shall be deemed to have elected a three month Interest Period to be applicable to such Loans effective as of the expiration date of such current Interest Period.

b.09 Increased Costs, Illegality, Market Disruption, etc. (a) In the event that any Lender shall have reasonably determined in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Loan because of, without duplication, the introduction of or effectiveness of or any Change in Law since the Closing Date in any applicable law or governmental rule, regulation, order, guideline, directive or request (whether or not having the force of law) concerning capital adequacy or otherwise or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A) a change in the basis of taxation of payment to any Lender of the principal of or interest on such Loan or any other amounts payable hereunder (except for changes in the rate of tax on, or determined by reference to, the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which such Lender or the entity controlling such Lender is organized or in which the principal office of such Lender or the entity controlling such Lender or such Lender's applicable lending office is located or any subdivision thereof or therein), but without duplication of any amounts payable in respect of Taxes pursuant to Section 4.04, (B) a change in official reserve requirements but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate, or (C) a change that will have the effect of increasing the amount of capital adequacy required or requested to be maintained by such Lender, or any corporation controlling such Lender, based on the existence of such Lender's Commitments hereunder or its obligations hereunder; or

(ii) at any time, that the making or continuance of any Loan has been made unlawful by any law or governmental rule, regulation or order;

then, and in any such event, such Lender shall promptly give notice (by telephone confirmed in writing) to the Borrower and, in the case of clause (ii) above, to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the Lenders). Thereafter (x) in the case of clause (i) above, the Borrower agrees (to the extent applicable), to pay to such Lender, upon its written demand therefor, such additional amounts as shall be required to compensate such Lender or such other corporation for the increased costs or reductions to such Lender or such other corporation and (y) in the case of clause (ii) above, the Borrower shall take one of the actions specified in Section 2.09(b) as promptly as possible and, in any event, within the time period required by law. In determining such additional amounts, each Lender will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, provided that such Lender's determination of compensation owing under this Section 2.09(a) shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Lender, upon determining that any additional amounts will be payable pursuant to this Section 2.09(a), will give prompt written notice thereof to the Borrower, which notice shall show in reasonable detail the basis for the calculation of such additional amounts; provided that, subject to the provisions of Section 2.11(b), the failure to give such notice shall not relieve the Borrower from its obligations hereunder.

(b) At any time that any Loan is affected by the circumstances described in Section 2.09(a)(i), the Borrower may, and in the case of a Loan affected by the circumstances described in Section 2.09(a)(ii), the Borrower shall, either (x) if the affected Loan is then being made initially, cancel the respective Borrowing by giving the Administrative Agent telephonic notice (confirmed in writing) on the same date or the next Business Day that such Borrower was notified by the affected Lender or the Administrative Agent pursuant to Section 2.09(a)(i) or (ii) or (y) if the affected Loan is then outstanding, upon at least three Business Days' written notice to the Administrative Agent, in the case of any Loan, repay all outstanding Borrowings (within the time period required by the

applicable law or governmental rule, governmental regulation or governmental order) which include such affected Loans in full in accordance with the applicable requirements of Section 4.02; provided that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 2.09(b).

(c) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of such Loan for the relevant Interest Period shall be the rate per annum which is the sum of:

(i) the Applicable Margin; and

(ii) the rate determined by each Lender and notified to the Administrative Agent, which expresses the actual cost to each such Lender of funding its participation in such Loan for a period equivalent to such Interest Period from whatever source it may reasonably select.

(d) If a Market Disruption Event occurs and the Administrative Agent or the Borrower so require, the Administrative Agent and the Borrower 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. Any alternative basis agreed pursuant to the immediately preceding sentence shall, with the prior consent of all the Lenders and the Borrower, be binding on all parties. If no agreement is reached pursuant to this clause (d), the rate provided for in clause (c) above shall apply for the entire Interest Period.

(e) If any Reference Bank ceases to be a Lender under this Agreement, (x) it shall cease to be a Reference Bank and (y) the Administrative Agent shall, with the approval (which shall not be unreasonably withheld) of the Borrower, nominate as soon as reasonably practicable another Lender to be a Reference Bank in place of such Reference Bank.

2.10 Compensation. The Borrower agrees to compensate each Lender, upon its written request (which request shall set forth in reasonable detail the basis for requesting and the calculation of such compensation; provided that no Lender shall be required to disclose any information that would be confidential or price sensitive), for all reasonable and documented losses, expenses and liabilities (including, without limitation, any such loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Loans but excluding any loss of anticipated profits) which such Lender may sustain in respect of Loans made to the Borrower: (i) if for any reason (other than a default by such Lender or the Administrative Agent) a Borrowing of Loans does not occur on a date specified therefor in a Notice of Borrowing (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to Section 2.09(a)); (ii) if any prepayment or repayment (including any prepayment or repayment made pursuant to Section 2.09(a), Section 4.01 or Section 4.02 or as a result of an acceleration of the Loans pursuant to Section 9) of any of its Loans, or assignment of its Loans pursuant to Section 2.12, occurs on a date which is not the last day of an Interest Period with respect thereto; (iii) if any prepayment of any of its Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of any other Default or Event of Default arising as a result of the Borrower's failure to repay Loans or make payment on any Note held by such Lender when required by the terms of this Agreement.

2.11 Change of Lending Office; Limitation on Additional Amounts. (a) Each Lender agrees that on the occurrence of any event giving rise to the operation of Section 2.09(a), Section 2.09(b) or Section 4.04 with respect to such Lender, it will, if requested by the Borrower, use reasonable good faith efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage (other than any such disadvantage

that is immaterial and reimbursed by the Borrower), with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 2.11 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender provided in Sections 2.09 and 4.04.

(b) Notwithstanding anything to the contrary contained in Sections 2.09, 2.10 or 4.04 of this Agreement, unless a Lender gives notice to the Borrower that it is obligated to pay an amount under any such Section within 180 days of the later of (x) the date the Lender incurs the respective increased costs, Taxes, loss, expense or liability, reduction in amounts received or receivable or reduction in return on capital or (y) the date such Lender has actual or constructive knowledge of its incurrence of the respective increased costs, Taxes, loss, expense or liability, reductions in amounts received or receivable or reduction in return on capital, then such Lender shall only be entitled to be compensated for such amount by the Borrower pursuant to said Section 2.09, 2.10 or 4.04, as the case may be, to the extent the costs, Taxes, loss, expense or liability, reduction in amounts received or receivable or reduction in return on capital are incurred or suffered on or after the date which occurs 180 days prior to such Lender giving notice to the Borrower that it is obligated to pay the respective amounts pursuant to said Section 2.09, 2.10 or 4.04, as the case may be. This Section 2.11(b) shall have no applicability to any Section of this Agreement other than said Sections 2.09, 2.10 and 4.04.

2.12 Replacement of Lenders. (x) If any Lender becomes a Defaulting Lender, (y) upothe occurrence of any event giving rise to the operation of Section 2.09(a), Section 2.09(b) or Section 4.04 with respect to any Lender which results in such Lender charging to the Borrower increased costs in excess of those being generally charged by the other Lenders, or (z) as provided in Section 11.13(b) in the case of certain refusals by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders, the Borrower shall have the right, if no Event of Default will exist immediately after giving effect to the respective replacement, to either replace such Lender (the "Replaced Lender") with one or more other Eligible Transferee or Eligible Transferees, none of whom shall constitute a Defaulting Lender at the time of such replacement (collectively, the "Replacement Lender") reasonably acceptable to the Administrative Agent, provided that:

(i) at the time of any replacement pursuant to this Section 2.12, the Replacement Lender shall enter into one or more Assignment and Assumption Agreements pursuant to Section 11.04(b) (and with all fees payable pursuant to said Section 11.04(b) to be paid by the Replacement Lender) pursuant to which the Replacement Lender shall acquire all of the Commitments and outstanding Loans of the Replaced Lender and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to the sum (without duplication) of (x) an amount equal to the principal of, and all accrued interest on, all outstanding Loans of the Replaced Lender, and (y) an amount equal to all accrued, but unpaid, Commitment Commission owing to the Replaced Lender pursuant to Section 3.01; and

(ii) all obligations of the Borrower due and owing to the Replaced Lender at such time (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid) shall be paid in full to such Replaced Lender concurrently with such replacement.

Upon receipt by the Replaced Lender of all amounts required to be paid to it pursuant to this Section 2.12, the Administrative Agent shall be entitled (but not obligated) and is authorized (which authorization is coupled with an interest) to execute an Assignment and Assumption Agreement on behalf of such Replaced Lender, and any such Assignment and Assumption Agreement so executed by the Administrative Agent and the Replacement Lender shall be effective for purposes of this Section 2.12 and Section 11.04. Upon the execution

of the respective Assignment and Assumption Agreement, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Lender, delivery to (i) the Replacement Lender of the appropriate Note or Notes executed by the Borrower, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 2.09, 2.10, 4.04, 11.01, 11.17 and 11.18), which shall survive as to such Replaced Lender.

2.13 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

Section 3. Commitment Commission; Reductions of Commitment.

3.01 Commitment Commission; Fees. (a) The Borrower agrees to pay the Administrative Agent for distribution to each Non-Defaulting Lender a commitment commission (the "Commitment Commission") for the period from the Closing Date until the earlier of (i) Commitment Termination Date and (ii) the date on which the Credit Facility is fully drawn computed at a per annum rate equal to 40% of the Applicable Margin of the daily Commitment, in each case, of such Non-Defaulting Lender. Accrued Commitment Commission shall be due and payable quarterly in arrears on each Payment Date (or, if earlier, the date upon which the Credit Facility is terminated or fully drawn).

(b) The Borrower shall pay all fees set forth in the Fee Letters.

3.02 Voluntary Termination of Commitments. (a) Upon at least ten Business Days' prior notice to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right, at any time or from time to time, without premium or penalty, to terminate or reduce the Commitments, in whole or in part prior to the Commitment Termination Date, in integral multiples of $1,000,000 in the case of partial reductions to the Commitments, provided that such reduction shall apply proportionately to permanently reduce the Commitment, as applicable, of each Lender.

(b) In the event of certain refusals by a Lender as provided in Section 11.13(b) to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders, the Borrower may, subject to the requirements of said Section 11.13(b) and upon five Business Days' written notice to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), terminate all of the Commitment (if any) of such Lender so long as all Loans, together with accrued and unpaid interest, Commitment Commission and all other amounts, owing to such Lender are repaid concurrently with the effectiveness of such termination (at which time Schedule I hereto shall be deemed modified to reflect such changed amounts), and at such time such Lender shall no longer constitute a "Lender" for purposes of this Agreement, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 2.09, 2.10, 4.04, 11.01, 11.17 and 11.18), which shall survive as to such repaid Lender.

3.03 Mandatory Reduction of Commitments. (a) The Total Commitments (and the Commitments of each Lender) shall terminate in their entirety on December 15, 2017, unless the Closing Date has occurred prior to such date.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Commitment (and the Commitment of each Lender) shall terminate in its entirety on the Commitment Termination Date.

(c) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, on each Borrowing Date, the Commitment shall be permanently reduced by the aggregate principal amount of the Loans made on such Borrowing Date.

(d) Each reduction to, or termination of, the Commitment pursuant to this Section 3.03 shall be applied to proportionately reduce or terminate the Commitment of each Lender with such a Commitment.

(e)

Section 4. Prepayments; Payments; Taxes.

4.01 Voluntary Prepayments. (a) The Borrower shall have the right to prepay the Loans, without premium or penalty, except as provided by law, in whole or in part at any time and from time to time on the following terms and conditions:

(i) the Borrower shall give the Administrative Agent, prior to 12:00 Noon (Amsterdam time) at its Notice Office, at least ten Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay such Loans, which notice shall specify the amount of such prepayment and the specific Borrowing or Borrowings pursuant to which such Loans were made, which notice the Administrative Agent shall promptly transmit to each of the Lenders;

(ii) each partial prepayment of the Loans pursuant to this Section 4.01 shall be in an aggre-gate principal amount of at least $5,000,000 and/or integral multiples of $1,000,000 in excess thereof (or such lesser amount as is acceptable to the Administrative Agent in any given case);

(iii) at the time of any prepayment of Loans pursuant to this Section 4.01 which occurs on any date other than the last day of the Interest Period applicable thereto, the Borrower shall pay the amounts required pursuant to Section 2.10;

(iv) except as expressly provided in clause (v) below, each prepayment pursuant to this Section 4.01 in respect of any Loans made pursuant to a Borrowing shall be applied pro rata among the Loans comprising such Borrowing, provided that at the Borrower's election in connection with any prepayment of Loans pursuant to this Section 4.01, such prepayment shall not, so long as no Event of Default then exists, be applied to any Loan of a Defaulting Lender until all other Loans of Non-Defaulting Lenders have been repaid in full; and

(v) In the event of a refusal by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders as (and to the extent) provided in Section 11.13(b), the Borrower may, upon five Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders) repay all Loans, together with accrued and unpaid interest, Fees, and other amounts owing to such Lender in accordance with, and subject to the requirements of, said Section 11.13(b) so long as (I) all Commitments of such Lender are terminated concurrently with such repayment pursuant to Section 4.02(f) (at which time Schedule I hereto shall be deemed modified to reflect the changed Commitments) and (II) the consents, if any, required under Section 11.13(b) in connection with the repayment pursuant to this clause (b) have been obtained.

(b) Loans prepaid pursuant to this Section 4.01 may not be reborrowed.

4.02 Mandatory Repayments and Commitment Reductions.

(a) The Borrower shall be required to repay the Loans on each Payment Date in an amount equal to the Scheduled Term Amortization Payment Amount for such Payment Date. The Scheduled Term Amortization Payment Amounts for each Payment Date are set forth on Schedule VIII hereto, as such Schedule is updated from time to time upon each Borrowing Date, and as such Scheduled Term Amortization Payment Amounts may be reduced from time to time in accordance with Section 4.02(e) and (f).

(b) In addition to any other mandatory repayments or commitment reductions required pursuant to this Section 4.02, but without duplication, on (i) the date of any Collateral Disposition involving a Collateral Vessel (other than a Collateral Disposition constituting an Event of Loss) and (ii) the earlier of (A) the date which is 180 days following any Collateral Disposition constituting an Event of Loss involving a Collateral Vessel and (B) the date of receipt by the Borrower, any Subsidiary Guarantor or the Administrative Agent of the insurance proceeds relating to such Event of Loss, the Borrower shall repay an aggregate principal amount of outstanding Loans of the affected Collateral Vessel in accordance with the requirements of Section 4.02(e) in an amount equal to the Attributable Loan Amount of the affected Collateral Vessel.

(c) Upon the occurrence of an Event of Default resulting from a breach of Section 8.07(d), the Borrower shall be required to immediately repay Loans in accordance with the requirements of Section 4.02(e) in an amount required to cure such Event of Default, provided that it is understood and agreed that the requirement to repay Loans under this Section 4.02(c) shall not be deemed to be a waiver of any other right or remedy that any Lender may have as a result of an Event of Default resulting from a breach of Section 8.07(d).

(d) In addition to any other mandatory repayments or commitment reductions required pursuant to this Section 4.02, upon a Change of Control, the Borrower shall be required to repay the outstanding principal amount of Loans in its entirety within 60 days after the date of such Change of Control.

(e) All prepayments of the Loans pursuant to Sections 4.01(a) and 4.02(a) shall be applied pro rata across all future Scheduled Term Amortization Amounts for all Payment Dates. All prepayments of the Loans pursuant to Section 4.02(c) shall be applied pro rata to the outstanding Loans to reduce the Scheduled Term Amortization Payment Amounts for each Payment Date in inverse order of maturity.

(f) The Attributable Loan Amount of the Collateral Vessels shall be reduced as follows:

(i) each voluntary prepayment of Loans pursuant to Section 4.01(a), and each prepayment of Loans pursuant to Section 4.02(c) shall permanently reduce the Attributable Loan Amount of the Collateral Vessels on a dollar for dollar basis as directed by the Borrower; and

(ii) each prepayment of the Loans pursuant to Section 4.02(b) shall reduce the Attributable Loan Amount of the affected Collateral Vessel to zero.

(g) With respect to each repayment of Loans required by this Section 4.02, the Borrower may designate the specific Borrowing or Borrowings pursuant to which such Loans were made, provided that (i) repayments of Loans pursuant to this Section 4.02 may only be made on the last day of an Interest Period applicable thereto unless all Loans with Interest Periods ending on such date of required repayment have been paid in full and (ii) each repayment of any Loans comprising a Borrowing shall be applied pro rata among such Loans. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the preceding provisions of this clause (g), make such designation in its sole reasonable discretion with a view, but no obligation, to minimize breakage costs owing pursuant to Section 2.10.

4.03 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or any Note shall be made to the Administrative Agent for the account of the Lender or Lenders entitled thereto not later than 12:00 Noon (New York time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office of the Administrative Agent or such other office in the State of New York as the Administrative Agent may hereafter designate in writing. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension.

4.04 Net Payments; Taxes.

(a) All payments made by any Credit Party hereunder or under any Note will be made without setoff, counterclaim or other defense. All such payments will be made free and clear of, and without deduction or withholding for any Taxes imposed with respect to such payments unless required by applicable law. If applicable law requires the deduction or withholding of any Taxes from or in respect of any sum payable under any Note, then:

(i) the Borrower shall be entitled to make such deduction or withholding,

(ii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority and

(iii) in the case of any Indemnified Taxes or Other Taxes, the Borrower agrees to pay the full amount of such Indemnified Taxes and Other Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Indemnified Taxes and Other Taxes, will not be less than the amount provided for herein or in such Note.

If any amounts are payable in respect of Indemnified Taxes or Other Taxes pursuant to the preceding sentence, the Borrower agrees to reimburse each Lender, upon the written request of such Lender, for Taxes imposed on or measured by the net income of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located and for any withholding of Taxes as such Lender shall determine are payable by, or withheld from, such Lender, in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. The Borrower shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. The Borrower will furnish to the Administrative Agent within 45 days after the date of payment of any Indemnified Taxes or Other Taxes is due pursuant to applicable law certified copies of Tax receipts evidencing such payment by the Borrower.

(b) Without duplicating the payments under subsection (a) above, the Borrower agrees to pay any and all present or future stamp, court or documentary Taxes and any other excise (in the nature of a documentary or similar Tax), property, intangible, filing or mortgage recording Taxes or charges or similar levies imposed by any Governmental Authority which arise from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Note excluding (i) such amounts imposed in connection with an Assignment and Assumption Agreement, grant of a participation, transfer or assignment to or designation of a new applicable lending office or other office for receiving payments under any Note, except to the extent that any such change is requested in writing by a Borrower and (ii) the registration or presentation of a Note is mandatorily required by law (all such non-excluded Taxes described in this Section 4.04(b) being referred to as "Other Taxes").

(c) Any Recipient that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Credit Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Recipient, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Recipient is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in the Recipient's reasonable judgment such completion, execution or submission would subject such Recipient to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Recipient.

(d) If the Administrative Agent or a Lender determines in its sole discretion that it has actually received or realized a refund of any Indemnified Taxes or Other Taxes as to which it has been indemnified by a Credit Party or with respect to which such Credit Party has paid additional amounts pursuant to Section 4.04(a), it shall pay over such refund to such Credit Party (but only to the extent of indemnity

payments made, or additional amounts paid, by such Credit Party under Section 4.04(a) with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender (including any Taxes imposed with respect to such refund) as is determined in the sole discretion of the Administrative Agent or Lender in good faith, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). In the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority, then such Credit Party, upon the written request of the Administrative Agent or such Lender, agrees to promptly repay the amount paid over to such Credit Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority, but without any other interest, penalties or charges) to the Administrative Agent or such Lender. Nothing in this Section 4.04(d) shall require a Lender to disclose any confidential information (including, without limitation, its Tax returns or its calculations).

(e) If a payment made to a Lender under any Note would be subject to withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code or an intergovernmental agreement) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this paragraph (e), if any applicable law requires the deduction or withholding of any Taxes from or in respect of any sum payable upon the Note, including any Taxes imposed under FATCA, the Administrative Agent shall be entitled to make deductions or withholding. "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes or Other Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes or Other Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 11.04(a) relating to the maintenance of a Participant Register and (iii) any Taxes excluded in Section 4.04(a) attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Note, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Note or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (f).

4.05 Application of Proceeds. (a) All monies collected by the Collateral Agent upon any sale or other disposition of the Collateral of each Credit Party, together with all other monies received by the Administrative Agent or Collateral Agent under and in accordance with this Agreement and the other Credit Documents (except to the extent (i) such monies are for the account of the Administrative Agent or Collateral Agent only or (ii) released in accordance with the applicable provisions of this Agreement or any other Credit Document), shall be applied to the payment of the Secured Obligations in accordance as follows:

(i) first, to the payment of all amounts owing the Collateral Agent of the type described in clauses (iii) and (iv) of the definition of "Secured Obligations";

(ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), an amount equal to the outstanding Credit Document Obligations shall be paid to the Lenders as provided in Section 4.05(d) hereof, with each Lender receiving an amount equal to such outstanding Credit Document Obligations or, if the proceeds are insufficient to pay in full all such Credit Document Obligations, its Pro Rata Share of the amount remaining to be distributed;

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii), an amount equal to the outstanding Other Obligations shall be paid to the Other Creditors as provided in Section 4.05(d) hereof, with each Other Creditor receiving an amount equal to such outstanding Other Obligations or, if the proceeds are insufficient to pay in full all such Other Obligations, its Pro Rata Share of the amount remaining to be distributed; and

(iv) fourth, to the extent proceeds remain after the application pursuant to the preceding clauses (i) through (iii), inclusive, and following the termination of this Agreement and the Credit Documents in accordance with their terms, to the relevant Credit Party or to whomever may be lawfully entitled to receive such surplus.

(b) For purposes of this Agreement, "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Secured Creditor's Credit Document Obligations or Other Obligations, as the case may be, and the denominator of which is the then outstanding amount of all Credit Document Obligations or Other Obligations, as the case may be.

(c) When payments to Secured Creditors are based upon their respective Pro Rata Shares, the amounts received by such Secured Creditors hereunder shall be applied (for purposes of making determinations under this Section 4.05 only) (i) first, to their Credit Document Obligations and (ii) second, to their Other Obligations. If any payment to any Secured Creditor of its Pro Rata Share of any distribution would result in overpayment to such Secured Creditor, such excess amount shall instead be distributed in respect of the unpaid Credit Document Obligations or Other Obligations, as the case may be, of the other Secured Creditors, with each Secured Creditor whose Credit Document Obligations or Other Obligations, as the case may be, have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Credit Document Obligations or Other Obligations, as the case may be, of such Secured Creditor and the denominator of which is the unpaid Credit Document Obligations or Other Obligations, as the case may be, of all Secured Creditors entitled to such distribution.

(d) All payments required to be made hereunder shall be made (x) if to the Lender Creditors, to the Administrative Agent under this Agreement for the account of the Lender Creditors, and (y) if to the Other Creditors, to the trustee, paying agent or other similar representative (each a "Representative") for the Other Creditors or, in the absence of such a Representative, directly to the Other Creditors.

(e) For purposes of applying payments received in accordance with this Section 4.05, the Collateral Agent shall be entitled to rely upon (i) the Administrative Agent under this Agreement and (ii) the Representative for the Other Creditors or, in the absence of such a Representative, upon the Other Creditors for a determination (which the Administrative Agent, each Representative for any Other Creditors and the Secured Creditors agree (or shall agree) to provide upon request of the Collateral Agent) of the outstanding Credit Document Obligations and Other Obligations owed to the Lender Creditors or the Other Creditors,

as the case may be. Unless it has actual knowledge (including by way of written notice from an Other Creditor) to the contrary, the Collateral Agent, shall be entitled to assume that no Interest Rate Protection Agreements are in existence.

(f) It is understood and agreed that each Credit Party shall remain jointly and severally liable to the extent of any deficiency between the amount of the proceeds of the Collateral pledged and Liens granted by it under and pursuant to the Security Documents and the aggregate amount of the Secured Obligations of such Credit Party.

SECTION 5. Conditions Precedent.

5.01 Closing Date. This Agreement shall become effective on the date on which each of the following conditions is satisfied:

(a) Credit Agreement; Fee Letters. The Borrower, the Administrative Agent and each of the Lenders who are initially parties hereto shall have signed a counterpart of (i) this Agreement and (ii) the Fee Letters (in each case, whether the same or different counterparts) and shall have delivered the same to the Administrative Agent and this Agreement and the Fee Letters shall be in full force and effect and consummated in accordance with the documentation and applicable laws.

(b) Security Documents. The Collateral Agent and each relevant Credit Party shall have signed a counterpart of (i) the Subsidiaries Guaranty, (ii) the Share Pledge Agreement, and (iii) the Account Pledge Agreement such that the Lenders have a first-priority perfected security interest in the property purported to be covered thereby, with such exceptions as are reasonably acceptable to the Required Lenders.

(c) Officer's Certificates. The Administrative Agent shall have received (i) a certificate in form and substance reasonably acceptable to the Administrative Agent signed by an Authorized Officer of the Borrower and each Credit Party, with appropriate insertions, together with copies of the Organizational Documents of such Credit Party and the resolutions of the Borrower referred to in such certificate authorizing the consummation of the Transaction and certifying that the conditions set forth in Sections 5.01(e), (f), (h) and (i) are satisfied (to the extent that, in each case, such conditions are not required to be acceptable (reasonably or otherwise) to the Administrative Agent), (ii) copies of good standing certificates and (iii) information on the organizational structure of the Borrower and its Subsidiaries.

(d) PATRIOT Act. The Credit Parties shall have provided, or procured the supply of, the "know your customer" information required pursuant to the Patriot Act, to each of the Lenders and the Administrative Agent in connection with their respective internal compliance regulations thereunder or other information requested by any Lender or the Administrative Agent to satisfy related checks under all applicable laws and regulations pursuant to the transactions contemplated hereby, in each case to the extent requested by any Lender or the Administrative Agent not later than five days prior to the Closing Date.

(e) Material Adverse Effect. Nothing shall have occurred since December 31, 2016 (and neither the Administrative Agent nor any other Lender Creditor shall have become aware of any condition or circumstance not previously known to it or them), which the Administrative

Agent or any of the Lender Creditors determine has had or could reasonably be expected to have a Material Adverse Effect.

(f) Litigation. On and as of the Closing Date, no litigation with respect to any Credit Party shall be pending or, to the knowledge of any Credit Party, threatened with respect to this Agreement or any other Credit Document or with respect to the Transaction or which the Administrative Agent or the Required Lenders shall determine has had, or could reasonably be expected to have, a Material Adverse Effect.

(g) Fees. On the Closing Date, the Borrower shall have paid to the Administrative Agent, the Collateral Agent and the Lead Arrangers and the Lenders all Fees and all other reasonable fees and documented out-of-pocket costs and expenses (including, without limitation, the reasonable legal fees and expenses of White & Case LLP and other local counsel to the Administrative Agent) and other compensation due and payable on or prior to the Closing Date, in each case, payable to the Administrative Agent, the Collateral Agent and the Lead Arrangers and the Lenders in respect of the transactions contemplated by this Agreement to the extent reasonably invoiced at least two Business Days prior to the Closing Date.

(h) Approvals. On and as of the Closing Date, all necessary governmental (domestic and foreign) and third party approvals and/or consents in connection with the Transaction, the Loans, and the granting of Liens under the Credit Documents shall have been obtained and remain in effect, and all applicable waiting periods with respect thereto shall have expired without any action being taken by any competent authority which, in the reasonable judgment of the Administrative Agent, restrains, prevents or imposes materially adverse conditions upon the consummation of the Transaction, the making of the Loans and the performance by the Credit Parties of the Credit Documents. In addition, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the consummation of the Transaction, the making of the Loans or the performance by the Credit Parties of the Credit Documents.

(i) No Event of Default; Representations and Warranties. On and as of the Closing Date (i) there shall exist no Event of Default and (ii) all representations and warranties contained herein or in any other Credit Document shall be true and correct in all material respects (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date or specified period shall be required to be true and correct in all material respects only as of such specified date or specified period, as applicable).

(j) Legal Opinion. The Administrative Agent shall have received, on behalf of itself and the Lenders:

(i) a legal opinion from Seward & Kissel LLP, in its capacity as New York and Marshall Islands counsel to the Borrower, in form and substance reasonably acceptable to the Administrative Agent, dated as of the Closing Date and addressed to the Administrative Agent and the Lenders; and

(ii) a legal opinion from Loyens & Loeff, in its capacity as Dutch counsel to the Administrative Agent, in form and substance reasonably acceptable to the Administrative Agent, dated as of the Closing Date and addressed to the Administrative Agent and the Lenders.

(k) Process Agent. On and prior to the Closing Date, the Credit Parties have appointed a process agent in the State of New York and the Credit Parties shall have received evidence of the acceptance of such appointment from such process agent.

(l) No Conflicts. After giving effect to the consummation of the Transaction, and the other trans-actions contemplated hereby, there shall be no conflict with, or default under any material agreement to which the Borrower or any of its Subsidiaries is a party or any charter contracts for the Collateral Vessels.

5.02 Conditions to each Borrowing Date. The obligation of each Lender to make the Loans on any Borrowing Date is subject to the satisfaction of each of the following conditions:

(a) Closing Date. On or prior to each Borrowing Date, (i) the Closing Date shall have occurred and (ii) there shall have been delivered to the Administrative Agent for the account of each of the Lenders that has requested same the appropriate Note executed by the Borrower in accordance with Section 2.05.

(b) Delivery of Collateral Vessel. Each Collateral Vessel Owner shall have received or shall receive substantially simultaneously with funding of the Loans with respect to the relevant Collateral Vessel, title to the relevant Collateral Vessel, and such Collateral Vessel Owner shall at such time be the record and beneficial owner of such Collateral Vessel free and clear of all liens other than the Permitted Liens.

(c) Solvency Certificate. On a Borrowing Date, the Borrower shall cause to be delivered to the Administrative Agent a solvency certificate from an Authorized Officer of the Borrower, substantially in the form of Exhibit C, which shall be addressed to the Administrative Agent and dated as of such Borrowing Date.

(d) Officer's Certificate. The Administrative Agent shall have received a certificate from an Authorized Officer of the Borrower certifying that the conditions set forth in Sections 5.02(e), (f), (i), (j), and (k) are satisfied (to the extent that, in each case, such conditions are not required to be acceptable (reasonably or otherwise) to the Administrative Agent).

(e) Collateral and Guaranty Requirements. On or prior to each Borrowing Date, the Collateral and Guaranty Requirements with respect to each Collateral Vessel being financed on such Borrowing Date shall be satisfied or the Administrative Agent shall have waived such requirements (other than the Specified Requirements) and/or conditioned such waiver on the satisfaction of such requirements within a specified period of time.

(f) No Conflicts. On each Borrowing Date, after giving effect to the consummation of the Transaction, the making of the Loans and the performance by the Credit Parties of the Credit Documents, the financings incurred in connection therewith and the other trans-actions contemplated hereby, there shall be no conflict with, or default under any material agreement to which the Borrower or any of its Subsidiaries is a party as a result thereof.

(g) Approvals. On each Borrowing Date, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the making of the Loan or the performance by the Credit Parties of the Credit Documents.

(h) Borrowing Notice. The Administrative Agent shall have received a Notice of Borrowing as required by Section 2.03.

(i) Representations and Warranties. Before and after giving effect to the Loans being incurred on such date, all representations and warranties contained herein or in any other Credit Document shall be true and correct in all material respects both before and after giving effect to such Loans with the same effect as though such representations and warranties had been made on the date of such Loans (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

(j) No Default or Event of Default. No Event of Default and no event, which with the giving of notice or lapse of time, or both, would be an Event of Default shall have occurred and be continuing, or would result from the Loans being incurred on such date.

(k) Collateral Maintenance Test. On each Borrowing Date and immediately after giving effect to the Loans incurred on such date, the sum of (i) the Aggregate Appraised Value of the Collateral Vessels which have not been sold, transferred, lost or otherwise disposed of (it being understood that permitted chartering arrangements do not constitute disposals for this purpose) on such Borrowing Date and (ii) the fair market value of any Additional Collateral (as determined in good faith by the Administrative Agent) shall be equal to or greater than 140% of the aggregate outstanding principal amount of the Loans.

Notwithstanding anything to the contrary in this Section 5.02, Loans on any Borrowing Date may be borrowed before the applicable conditions set forth above in Section 5.02 are met, provided that:

(i) the Borrowing Date may not be more than five Business Days prior to the scheduled delivery date of the relevant Collateral Vessel; and

(ii) on the Borrowing Date, the Administrative Agent shall (A) preposition the Loans with respect to such Borrowing Date at a bank or other financial institution (the "Seller's Bank") satisfactory to the Administrative Agent, which funds shall be held at the Seller's Bank in the name and under the sole control of the Administrative Agent or an Affiliate thereof and (B) issue a SWIFT MT 199 or similar communication (each, a "Disbursement Authorization") authorizing the release of such funds by the Seller's Bank on the relevant delivery date upon receipt of a Protocol of Delivery and Acceptance in respect of the relevant Collateral Vessel, duly executed by the seller of the relevant Collateral Vessel and the relevant Subsidiary Guarantor and countersigned by a representative of the Administrative Agent;

provided that if the delivery of the relevant Collateral Vessel does not occur within five Business Days after the scheduled delivery date, the funds held at the Seller's Bank shall be returned to the Administrative Agent for further distribution to the Lenders.

For the avoidance of doubt:

(A) all interest and fees on the Loans shall accrue from the date the Loan is prepositioned at the Seller's Bank;

(B) the Administrative Agent and the Lenders suspend satisfaction of the conditions precedent set forth in clauses (ix)(a), (b), (c) and (e) of the definition of "Collateral and Guarantee Requirements" solely for the time period on and between the relevant Borrowing Date and (I) the relevant delivery date with respect to clauses (ix)(a), (b) and (c) and (II) within 5 days of the relevant delivery date with respect to clause (ix)(e);

(C) if the Collateral Vessel is not delivered within the time prescribed and the proceeds of the Loans are returned to the Administrative Agent for distribution to the Lenders, (i) the Borrower shall pay all accrued interest and fees in respect of such returned proceeds on the date such proceeds are returned to the Administrative Agent and (ii) the relevant available Commitment will be increased by an amount equal to the aggregate principal amount of the Loan proceeds so returned; and

(D) if the Loans are converted into a currency other than Dollars for deposit with the Seller's Bank and the relevant Collateral Vessel is not delivered within the time prescribed and the proceeds of the Loans are returned to the Administrative Agent for further distribution to the Lenders, the Borrower shall pay any and all fees, charges and expenses arising from such conversion into an alternative currency and any fees, charges, expenses and shortfalls arising from the conversion of such proceeds back into Dollars.

The acceptance of the benefits of each Loan shall constitute a representation and warranty by the Borrower to the Administrative Agent and each of the Lenders that all of the applicable conditions specified in Section 5 and applicable to such Borrowing have been satisfied or waived as of that time. All of the applicable Notes, certificates, legal opinions and other documents and papers referred to in Section 5 (including by reference to the Collateral and Guaranty Requirements), unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office for the account of each of the Lenders.

SECTION 6. Representations and Warranties. In order to induce the Lenders to enter into this Agreement and to make the Loans, the Borrower makes the following representations and warranties, after giving effect to the Transaction, all of which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans, with the borrowing of each Loan on or after the Closing Date being deemed to constitute a representation and warranty that the matters specified in this Section 6 are true and correct in all material respects on and as of the Closing Date and on each Borrowing Date (it being understood and agreed that any representation or warranty which expressly relate to a specified date or specified period shall be required to be true and correct in all material respects as of such specified date or for the specified period, as applicable):

6.01 Corporate/Limited Liability Company/Limited Partnership Status. Each Credit Party (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation and (ii) is duly qualified and is authorized to do business and is in good standing in each jurisdiction where the conduct of its business as currently conducted requires such qualifications, except for failures to be so qualified which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

6.02 Corporate Power and Authority. Each Credit Party has the corporate or other applicable power and authority to (i) own its property and assets and to transact the business in which it is currently engaged and presently proposes to engage and (ii) execute, deliver and perform the terms and provisions of each of the Credit Documents to which it is party and has taken or will take in due course all necessary corporate or other applicable action to authorize the execution, delivery and performance by it of each of such Credit Documents.

6.03 Title; Maintenance of Properties.

Except as permitted by Section 8.01, each Credit Party has good and indefeasible title to all properties owned by it, free and clear of all Liens, other than Permitted Liens.

6.04 Legal Validity and Enforceability.

(a) Each Credit Party has duly executed and delivered each of the Credit Documents to which it is party, and each of such Credit Documents constitutes the legal, valid and binding obligation of such Credit Party enforceable against such Credit Party in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

(b) After the execution and delivery thereof and upon the taking of the actions mentioned in the immediately succeeding sentence, each of the Security Documents creates in favor of the Collateral Agent for the benefit of the Secured Creditors a legal, valid and enforceable fully perfected first priority security interest in and Lien on all right, title and interest of the Credit Parties party thereto in the Collateral described therein, subject only to Permitted Liens. Subject to Sections 5.02(e) and 6.06 and the definition of "Collateral and Guaranty Requirements," no filings or recordings are required in order to perfect the security interests created under any Security Document except for filings or recordings which shall have been made on or prior to each Borrowing Date.

(c) Each of the Credit Documents is or, when executed will be, in proper legal form under the laws of the Republic of the Marshall Islands and the applicable Acceptable Flag Jurisdiction for the enforcement thereof under such laws, subject only to such matters which may affect enforceability arising under the law of the State of New York. To ensure the legality, validity, enforceability or admissibility in evidence of each such Credit Document in the Republic of the Marshall Islands and the applicable Acceptable Flag Jurisdiction, it is not necessary that any Credit Document or any other document be filed or recorded with any court or other authority in the applicable Acceptable Flag Jurisdiction, except as have been made, or will be made, in accordance with Section 5.

(d) None of the Credit Parties has a place of business in any jurisdiction which requires any of the Security Documents to be filed or registered in that jurisdiction to ensure the validity of the Security Documents to which it is a party unless all such filings and registrations have been made or will be made, in accordance with Section 5.

6.05 No Violation. Neither the execution, delivery or performance by any Credit Party of the Credit Documents to which it is a party, nor compliance by it with the terms and provisions thereof, will (i) contravene any material provision of any applicable law, statute, rule or regulation or any applicable order, judgment, writ, injunction or decree of any court or governmental instrumentality, (ii) materially violate or result in any material breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except Permitted Liens) upon any of the material properties or assets of the Borrower or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement or loan agreement, or any other material agreement, contract or instrument, to which the Borrower or any of its Subsidiaries is a party or by which it or any of its material property or assets is bound or to which it may be subject or (iii) violate any provision of the Organizational Documents of the Borrower or any of its Subsidiaries.

6.06 Governmental Approvals.

(a) No order, consent, approval, license, authorization or validation of, or filing, recording or registration with or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the execution, delivery and performance by any Credit Party of any Credit Document to which it is a party or (ii) the legality, validity, binding effect or enforceability of any Credit Document to which it is a party, in each case, except (x) as have been obtained or made or (y) filings or other requisite actions necessary to perfect or establish the priority of the Liens created under the Security Documents.

(b) No fees or Taxes, including, without limitation, stamp, transaction, registration or similar Taxes, are required to be paid to ensure the legality, validity, or enforceability of this Agreement or any of the other Credit Documents other than recording and filing fees and/or Taxes which have been, or will be, paid as and to the extent due. Under the laws of the Republic of the Marshall Islands, the choice of the laws of the State of New York as set forth in the Credit Documents which are stated to be governed by the laws of the State of New York is a valid choice of law, and the irrevocable submission by each Credit Party to jurisdiction and consent to service of process and, where necessary, appointment by such Credit Party of an agent for service of process, in each case as set forth in such Credit Documents, is legal, valid, binding and effective.

6.07 Balance Sheets; Financial Condition; Undisclosed Liabilities.

(a) (i) The audited consolidated balance sheet of the Borrower and its Subsidiaries at December 31, 2016 and the related consolidated statements of income and cash flows and changes in shareholders' equity of the Borrower and its Subsidiaries for the fiscal year ended on December 31, 2016 and (ii) the unaudited consolidated balance sheet of the Borrower and its Subsidiaries at September 30, 2017 and the related consolidated statements of income and cash flows and changes in shareholders' equity of the Borrower and its Subsidiaries for the nine-month period ended on such date, in each case furn-ished to the Lenders prior to the Closing Date, in each case present fairly in all material respects the consolidated financial condition of the Borrower and its Subsidiaries at the date of said finan-cial statements and the results for the respective periods covered thereby, subject to normal year-end adjustments. All such financial statements have been prepared in accordance with GAAP consistently applied except to the extent provided in the notes to said financial statements and subject, in the case of the unaudited financial statements, to normal year-end audit adjustments and the absence of footnotes.

(b) All financial statements provided pursuant to Section 7.01(a) and Section 7.01(b) have been prepared in accordance with GAAP consistently applied except to the extent provided in the notes to said financial statements and subject, in the case of the unaudited financial statements, to normal year-end audit adjustments and the absence of footnotes.

(c) Except as fully disclosed in the balance sheets delivered pursuant to Section 6.07(a), there were, as of the date of delivery of the first balance sheets delivered pursuant to this Agreement, no liabilities or obligations with respect to the Borrower or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in the aggregate, would be materially adverse to the Borrower and its Subsidiaries taken as a whole.

(d) Since December 31, 2016, nothing has occurred that has had or could reasonably be expected to have a Material Adverse Effect.

6.08 Litigation. There is no litigation pending or, to the knowledge of any Credit Party, threatened (i) with respect to the Credit Documents or (ii) which would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

6.09 True and Complete Disclosure.

(a) All factual information (taken as a whole) furnished by or on behalf of the Credit Parties in writing to the Administrative Agent or any Lender (including, without limitation, all information contained in the Credit Documents to which any Credit Party is a party) for purposes of or in connection with this Agreement, the other Credit Documents or any transaction contemplated herein or therein was, as of the date such information was furnished (or, if such information expressly relates to a specific date or period, as of such specific date or period, as applicable), taken as a whole, true and accurate in all material respects and did not fail to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time as such information was provided (or, if such information expressly relates to a specific date, as of such specific date).

(b) The projections delivered to the Administrative Agent and the Lenders prior to the Closing Date have been prepared in good faith and are based on reasonable assumptions (it being understood that such financial projections are subject to uncertainties and contingencies, which may be beyond the control of the Borrower and that no assurances are given by the Borrower that the projections will be realized).

6.10 Use of Proceeds; Margin Regulations.

(a) All proceeds of the Loans shall be used (i) to finance, in part, the acquisition costs of the Collateral Vessels, and/or (ii) to reimburse the Borrower and its Subsidiaries from time to time, in part, for the acquisition costs of the Collateral Vessels and/or (iii) to pay general working capital of the Borrower and its Subsidiaries from time to time and/or (iv) to pay fees and expenses related to the Transaction.

(b) No part of the proceeds of any Loan will be used to buy or carry any Margin Stock or to extend credit for the purpose of buying or carrying any Margin Stock. Neither the making of any Loan nor the use of the proceeds thereof will violate or be inconsistent with the Margin Regulations.

(c) No proceeds of the Loans shall be used or made available directly or, to the best knowledge of the Borrower, indirectly, to or for the benefit of a Restricted Party in violation of Sanctions Laws nor shall they otherwise be applied in a manner or for a purpose prohibited by Sanctions Laws.

(d) No proceeds of the Loans shall be used, directly or, to the knowledge of any of the Borrower and its Subsidiaries after making due inquiry, indirectly, in furtherance of an offer, payment, promise to pay, or authorization of a payment or giving of money, or anything else of value, to a Foreign Official or any person in violation of the United States Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1 et seq. ("FCPA"), the UK Bribery Act 2010, and the anti-bribery and anti-corruption laws of those jurisdictions in which it does business (collectively, the "Anti-Corruption Laws").

6.11 Taxes; Tax Returns and Payments.

(a) All payments which a Credit Party is liable to make under the Credit Documents to which it is a party can properly be made without deduction or withholding for or on account of any Tax payable under any law of any relevant jurisdiction applicable as of the Closing Date.

(b) The Borrower and each of its Subsidiaries has timely filed with the appropriate taxing authorities (or obtained extensions with respect thereto) all U.S. federal income tax returns, statements, forms and reports for Taxes and all other material U.S. and non-U.S. tax returns, statements, forms and reports for Taxes required to be filed by or with respect to the income, properties or operations of the Borrower and/or any of its Subsidiaries (the "Returns"). All such Returns accurately reflect in all material respects all liability for Taxes of the Borrower and its Subsidiaries as a whole for the periods covered thereby. The Borrower and each of its Subsidiaries have at all times paid, or have provided adequate reserves (in accordance with GAAP) for the payment of, all Taxes payable by them.

(c) There is no action, suit, proceeding, investigation, audit, or claim now pending or, to the best knowledge of any Credit Party, threatened by any authority regarding any Taxes relating to the Borrower or any of its Subsidiaries.

(d) As of the Closing Date, neither the Borrower nor any of its Subsidiaries has entered into an agreement or waiver or been requested to enter into an agreement or waiver extending any statute of limitations relating to the payment or collection of material Taxes of the Borrower or any of its Subsidiaries, or is aware of any circumstances that would cause the taxable years or other taxable periods of the Borrower or any of its Subsidiaries not to be subject to the normally applicable statute of limitations.

6.12 Compliance with ERISA. (a) Except as would not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate,

(i) each Plan (and each related trust, insurance contract or fund), other than any Multiemployer Plan and each trust related to the Multiemployer Plan, is in compliance with its terms and with all applicable laws, including without limitation ERISA and the Code;

(ii) each Plan (and each related trust, if any), other than any Multiemployer Plan and any trust related to the Multiemployer Plan, which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service, or still has a remaining period of time in which to apply for or receive such letter and to make any amendments necessary to obtain a favorable determination;

(iii) no Reportable Event has occurred;

(iv) to the knowledge of the Borrower, no Multiemployer Plan is insolvent;

(v) no Plan (other than a Multiemployer Plan) has an Unfunded Current Liability;

(vi) each Plan (other than a Multiemployer Plan) which is subject to Section 412 of the Code or Section 302 of ERISA satisfies the minimum funding standard of such sections of the Code or ERISA, and no such Plan has applied for or received a waiver of the minimum funding standard or an

extension of any amortization period, within the meaning of Section 412 of the Code or Section 303 of ERISA;

(vii) all contributions required to be made by the Borrower or any of its Subsidiaries or ERISA Affiliates with respect to a Plan subject to Title IV of ERISA have been or will be timely made (except as disclosed on Schedule V hereto);

(viii) neither the Borrower nor any of its Subsidiaries nor any ERISA Affiliate has any liability (including any indirect, contingent or secondary liability) to or on account of a Plan pursuant to Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 4975 of the Code or reasonably expects to incur any such liability under any of the foregoing sections with respect to any Plan;

(ix) neither the Borrower nor any of its Subsidiaries nor any ERISA Affiliate has received written notice from the PBGC or a plan administrator (in the case of a Multiemployer Plan) indicating that proceedings have been instituted by the PBGC to terminate or appoint a trustee to administer any Plan which is subject to Title IV of ERISA;

(x) no action, suit, proceeding, hearing, audit or investigation with respect to the administration, operation or the investment of assets of any Plan, other than a Multiemployer Plan, (other than routine claims for benefits) is pending, or, to the best knowledge of the Borrower, expected or threatened;

(xi) using actuarial assumptions and computation methods consistent with Part 1 of subtitle E of Title IV of ERISA, the Borrower and its Subsidiaries and ERISA Affiliates have not incurred any liabilities to any Plans which are Multiemployer Plans as a result of a complete or partial withdrawal therefrom;

(xii) no lien imposed under the Code or ERISA on the assets of the Borrower or any of its Subsidiaries or any ERISA Affiliate with respect to a Plan exists and no event has occurred which could reasonably be expected to give rise to any such lien on account of any Plan (other than a Multiemployer Plan); and

(xiii) the Borrower and its Subsidiaries do not maintain or contribute to any employee welfare plan (as defined in Section 3(1) of ERISA and subject to ERISA) which provides post-employment health benefits to retired employees or other former employees (other than as required by Section 601 of ERISA or other similar and applicable law).

(b) Except as would not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate, (i) each Foreign Pension Plan has been maintained in compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities; (ii) all contributions required to be made with respect to a Foreign Pension Plan have been or will be timely made; (iii) neither the Borrower nor any of its Subsidiaries has incurred any obligation in connection with the termination of or withdrawal from any Foreign Pension Plan; and (iv) the present value of the accrued benefit liabilities (whether or not vested) under each Foreign Pension Plan, determined as of the end of the Borrower's most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Foreign Pension Plan allocable to such benefit liabilities.

6.13 Subsidiaries. On and as of the Closing Date, the Borrower has no Subsidiaries other than those Subsidiaries listed on Schedule III. Schedule III sets forth, as of the Closing Date, the percentage ownership (direct and indirect) of the Borrower in each class of capital stock or other Equity Interests of each of its Subsidiaries and also identifies the direct owner thereof. All outstanding shares of Equity Interests of each Subsidiary of the Borrower have been duly and validly issued, are fully paid and non-assessable and

have been issued free of preemptive rights. No Subsidiary of the Borrower has outstanding any securities convertible into or exchangeable for its Equity Interests or outstanding any right to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of or any calls, commitments or claims of any character relating to, its Equity Interests or any stock appreciation or similar rights.

6.14 Compliance with Statutes, etc. The Borrower and each of its Subsidiaries is in compliance in all material respects with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except such noncompliance as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.15 Investment Company Act. No Credit Party is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

6.16 Pollution and Other Regulations. (a) Each of the Borrower and its Subsidiaries is in compliance with all applicable Environmental Laws governing its business, except for such failures to comply as could not reasonably be expected to have a Material Adverse Effect, and neither the Borrower nor any of its Subsidiaries is liable for any material penalties, fines or forfeitures for failure to comply with any of the foregoing.

(b) All licenses, permits, registrations or approvals required for the business of the Borrower and each of its Subsidiaries, as conducted as of the Closing Date, under any Environmental Law have been secured and the Borrower and each of its Subsidiaries is in substantial compliance therewith, except for such failures to secure or comply as could not reasonably be expected to have a Material Adverse Effect.

(c) (i) Neither the Borrower nor any of its Subsidiaries is in any respect in noncompliance with, breach of or default under any applicable writ, order, judgment, injunction, or decree to which the Borrower or such Subsidiary is a party or which would affect the ability of the Borrower or any of its Subsidiaries to operate any Collateral Vessel, Real Property or other facility and (ii) no event has occurred and is continuing which would constitute noncompliance, breach of or default thereunder, except in relation to each of clauses (i) and (ii) above, such noncompliance, breaches or defaults as could not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect. For the avoidance of doubt, nothing in this clause (c) shall require any Immaterial Newbuild Subsidiary to perform its obligations under, or comply with the terms of, any shipbuilding contract to which it is a party.

(d) There are no Environmental Claims pending or, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary which, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(e) There are no facts, circumstances, conditions or occurrences on or relating to any Collateral Vessel, Real Property or other facility owned or operated by the Borrower or any Subsidiary Guarantor that is reasonably likely (i) to form the basis of an Environmental Claim against the Borrower, any Subsidiary Guarantor or any Collateral Vessel, Real Property or other facility owned by the Borrower or any Subsidiary Guarantor, or (ii) to cause such Collateral Vessel, Real Property or other facility to be subject to any restrictions on its ownership, occupancy, use or transferability under any Environmental Law, except in each such case, such Environmental Claims or restrictions that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

6.17 Insurance. Schedule IV-B hereto sets forth a true and complete listing of all insurance maintained by each Credit Party with, as of the Closing Date, the amounts insured (and any deductibles) set forth therein.

6.18 Concerning the Collateral Vessels. The name, registered owner (which shall be a Subsidiary Guarantor), flag (which shall be in an Acceptable Flag Jurisdiction), vessel type, deadweight tonnage, builder's hull number and estimated delivery date of each Collateral Vessel shall be set forth on Schedule VI hereto along with the "Maximum Loan Amount" for each Collateral Vessel referred to in Section 2.01, which Schedule shall be updated by written notice to the Administrative Agent and Collateral Agent prior to or concurrently with each Borrowing Date to incorporate each additional Collateral Vessel.

6.19 Money Laundering and Sanctions Laws.

(a) To the extent applicable, each Credit Party is in compliance, in all material respects, with the (i) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, (ii) all United States laws relating to terrorism or money laundering including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2011 (the "Executive Order"), and (iii) the PATRIOT Act. No part of the proceeds of the Loans will be used by any Credit Party, directly or, to the best knowledge of any Credit Party, indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

(b) None of the Credit Parties nor, to the best knowledge of the Borrower, any Affiliate of any Credit Party, is, or will be after consummation of the Transaction and application of the proceeds of the Loans, by reason of being a "national" of a "designated foreign country" or a "specially designated national" within the meaning of the Regulations of the Office of Foreign Assets Control ("OFAC"), United States Treasury Department (31 C.F.R., Subtitle B, Chapter V), or is included on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list, or for any other reason, in violation of, any United States Federal Statute or executive order concerning trade or other relations with any foreign country or any citizen or national thereof.

(c) The Credit Parties do not deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any United States anti-terrorism laws.

(d) Each Credit Party and their respective directors, officers or, to the knowledge of the Borrower after making due inquiry, employees, agents or representatives has been and is in compliance with Sanctions Laws and applicable Anti-Corruption Laws and anti-money laundering laws or regulations in any applicable jurisdiction.

(e) No Credit Party, nor their respective directors, officers or, to the best knowledge of the Borrower, employees, agents or representatives (i) is a Restricted Party, or is involved in any transaction through which it is reasonably likely to become a Restricted Party; or (ii) is subject to or

involved in any inquiry, claim, action, suit, proceeding or investigation against it with respect to Sanctions Laws by any Sanctions Authority.

(f) Each of the Borrower and its Subsidiaries has implemented and maintains in effect policies and procedures with respect to Anti-Corruption Laws, Sanctions Laws and anti-money laundering laws, which policies and procedures are designed to promote compliance with Sanctions Laws, Anti-Corruption Laws and anti-money laundering laws by it, its Subsidiaries and their respective directors, officers, employees and agents and such parties are required to comply therewith.

6.20 No Immunity. The Borrower does not, nor does any other Credit Party or any of their respective properties, have any right of immunity on the grounds of sovereignty or otherwise from the jurisdiction of any court or from setoff or any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of any jurisdiction.

6.21 Pari Passu or Priority Status. The claims of the Administrative Agent, the Collateral Agent and the Lenders against the Borrower and the other Credit Parties under this Agreement or the other Credit Documents will rank at least pari passu with the claims of all unsecured creditors of the Borrower or any other Credit Party, as the case may be (other than claims of such creditors to the extent that they are statutorily preferred), and senior in priority to the claims of any creditor of the Borrower or any other Credit Party who is also a Credit Party.

6.22 Solvency; Winding-up, etc.

(a) On and as of the Closing Date and each Borrowing Date and after giving effect to the Transaction and to all Financial Indebtedness (including the Loans) being incurred or assumed and Liens created by the Credit Parties in connection therewith (i) the sum of the assets, at a fair valuation, of each Credit Party on a stand-alone basis and of the Borrower and its Subsidiaries taken as a whole will exceed their respective debts, (ii) each Credit Party on a stand-alone basis and the Borrower and its Subsidiaries taken as a whole have not incurred and do not intend to incur, and do not believe that they will incur, debts beyond their respective ability to pay such debts as such debts mature, and (iii) each Credit Party on a stand-alone basis and the Borrower and its Subsidiaries taken as a whole do not have unreasonably small working capital with which to continue their respective businesses. For purposes of this Section 6.22(a), “debt” means any liability on a claim, and “claim” means (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

(b) Subject to Section 8.02, neither the Borrower nor any other Credit Party has taken any corporate action nor have any other steps been taken or legal proceedings been started or (to its knowledge and belief) threatened against any of them for the winding-up, dissolution or for the appointment of a liquidator, administrator, receiver, administrative receiver, trustee or similar officer of any of them or any or all of their assets or revenues nor have any of them sought any other relief under any applicable insolvency or bankruptcy law.

6.23 Completeness of Documentation. (a) The copies of the Management Agreements, any Vessel Acquisition Documentation, any Intra-Group Charters and any Permitted Third Party Charters delivered to the Administrative Agent are true and complete copies of each such document constituting valid and binding obligations of the parties thereto enforceable in accordance with their respective terms.

(b) There has been no material amendment, waiver or variation of any Management Agreement, Intra-Group Charter or Permitted Third Party Charter which would be materially adverse to the interests of the Lenders without the consent of the Administrative Agent and no action has been taken by the parties thereto which would in any way render such document inoperative or unenforceable.

6.24 No Undisclosed Commissions. There are and will be no commissions, rebates, premiums or other payments by or to or on account of any Credit Party, their shareholders or directors in connection with the financings of the Transaction as a whole other than as disclosed to the Administrative Agent in writing.

6.25 Citizenship. Each Credit Party which owns or operates, or will own or operate, one or more Collateral Vessels is qualified to own and operate such Collateral Vessel under the laws of the Flag Jurisdiction.

6.26 Security Documents. After the execution and delivery thereof and upon the taking of the actions mentioned in the immediately succeeding sentence, each of the Security Documents will create in favor of the Collateral Agent for the benefit of the Secured Creditors a legal, valid and enforceable fully perfected first priority security interest in and Lien on all right, title and interest of the Credit Parties party thereto in the Collateral described therein, subject to no other Liens other than Permitted Liens. No filings or recordings are required in order to perfect the security interests created under any Security Document except for filings or recordings to be made on or prior to the Closing Date pursuant to the Security Documents.

SECTION 7.01 Affirmative Covenants. The Borrower hereby covenants and agrees that on and after the Closing Date and until the Total Commitment has terminated and the Loans and Notes (in each case together with interest thereon), Fees and all other Obligations (other than indemnities described in Section 11.01(b) which are not then due and payable) incurred hereunder and thereunder, are paid in full:

7.01 Information Covenants. The Borrower will furnish to the Administrative Agent, with sufficient copies for each of the Lenders:

(a) Quarterly Financial Statements. Commencing with the quarter ending December 31, 2017, within 60 days after the close of each quarterly accounting period in each fiscal year of the Borrower, the unaudited consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such quarterly accounting period and the related consolidated statements of income and cash flows, in each case for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, and in each case, setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be certified by an Authorized Officer of the Borrower, subject to normal year-end audit adjustments.

(b) Annual Financial Statements. Within 90 days after the close of each calendar year of the Borrower, (i) the audited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and statement of cash flows for such fiscal year setting forth comparative figures for the preceding fiscal year and certified by PricewaterhouseCoopers or other independent certified public accountants of recognized national standing (including shipping sector specialists) reasonably acceptable to the

Administrative Agent, together with a report of such accounting firm stating its audit was conducted in accordance with generally accepted auditing standards and (ii) management's discussion and analysis of the important operational and financial developments during such fiscal year as filed with the Securities and Exchange Commission in the Borrower's annual Form 20-F (or any successor or replacement of such form).

(c) Projections, etc. As soon as available but not more than 90 days after the end of each calendar year, cash flow projections (including a balance sheet and a statement of profit and loss and cash flow) of the Borrower and its Subsidiaries in reasonable detail for the calendar year in which such cash flow projections are actually delivered and the following three years.

(d) Appraisal Reports. At the time of delivery of the compliance certificates provided for in Section 7.01(e) required in connection with the second and fourth quarterly accounting periods in each fiscal year of the Borrower, and at any other time within 33 days of the written request of the Administrative Agent, Appraisals for each Collateral Vessel dated no more than 60 days prior to the delivery thereof in form and substance reasonably acceptable to the Administrative Agent and from two Approved Appraisers. All such Appraisals shall be conducted by, and made at the expense of, the Borrower (it being understood that the Administrative Agent may and, at the request of the Required Lenders, shall, upon notice to the Borrower, obtain such Appraisals and that the cost of all such Appraisals will be for the account of the Borrower); provided that, unless an Event of Default shall then be continuing, in no event shall the Borrower be required to pay for more than two appraisal reports from two Approved Appraisers obtained pursuant to this Section 7.01(d) in any single fiscal year of the Borrower, with the cost of any such reports in excess thereof to be paid by the Lenders on a pro rata basis.

(e) Officer's Compliance Certificates. At the time of the delivery of the financial statements provided for in Sections 7.01(a) and (b), a certificate of an Authorized Officer of the Borrower substantially in the form of Exhibit H to the effect that, to such officer's knowledge, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof (in reasonable detail), which certificate shall (x) set forth the calculations required to establish whether the Borrower is in compliance with the Financial Covenants at the end of the relevant fiscal quarter or year, as the case may be and (y) certify that there have been no changes to any of Annexes A through E of the Share Pledge Agreement or Schedules 1 through 3 of the General Assignment Agreement since the Initial Borrowing Date or, if later, since the date of the most recent certificate delivered pursuant to this Section 7.01(e), or if there have been any such changes, a list in reasonable detail of such changes (but, in each case with respect to this clause (y), only to the extent that such changes are required to be reported to the Collateral Agent pursuant to the terms of such Share Pledge Agreement or such General Assignment Agreement) and whether the Borrower and the other Credit Parties have otherwise taken all actions required to be taken by them pursuant to such Share Pledge Agreement or such General Assignment Agreement in connection with any such changes.

(f) Notice of Default, Material Litigation or Event of Loss. Promptly, and in any event within five Business Days after the Borrower obtains actual knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or Event of Default which notice shall specify the nature thereof, the period of existence thereof and what action the Borrower proposes to take with respect thereto, (ii) any material litigation or governmental investigation or proceeding pending or threatened against the Borrower or any of its Subsidiaries, (iii) any Event of Loss in respect of any

Collateral Vessel, (iv) any damage or injury caused by or to a Collateral Vessel in excess of $5,000,000, and (v) any material default under any Intra-Group Charter or Permitted Third Party Charter.

(g) Other Reports and Filings. Promptly, copies of all financial information, proxy materials and other information and reports, if any, which the Borrower or any of its Subsidiaries has filed with the Securities and Exchange Commission (or any successor thereto) or deliver to holders of its Financial Indebtedness pursuant to the terms of the documentation governing such Financial Indebtedness (or any trustee, agent or other representative therefor).

(h) Environmental Matters. Promptly upon, and in any event within 10 Business Days after, the Borrower obtains knowledge thereof, written notice of any of the following environmental matters occurring after the Closing Date, except to the extent that such environmental matters could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect:

(i) any Environmental Claim pending or threatened in writing against the Borrower or any of its Subsidiaries or any Collateral Vessel or property owned or operated or occupied by the Borrower or any Subsidiary Guarantor;

(ii) any condition or occurrence on or arising from any Collateral Vessel or property owned or operated or occupied by the Borrower or any Subsidiary Guarantor that (a) results in noncompliance by the Borrower or such Subsidiary Guarantor with any applicable Environmental Law or (b) could reasonably be expected to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any such Collateral Vessel or property;

(iii) any condition or occurrence on any Collateral Vessel or property owned or operated or occupied by the Borrower or any Subsidiary Guarantor that could reasonably be expected to cause such Collateral Vessel or property to be subject to any restrictions on the ownership, occupancy, use or transferability by the Borrower or such Subsidiary Guarantor of such Collateral Vessel or property under any Environmental Law; and

(iv) the taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Collateral Vessel or property owned or operated or occupied by the Borrower or any Subsidiary Guarantor as required by any Environmental Law or any governmental or other administrative agency; provided that in any event the Borrower shall deliver to the Administrative Agent all material notices received by the Borrower or any of its Subsidiaries from any government or governmental agency under, or pursuant to, CERCLA or OPA.

All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal or remedial action and the Borrower's or such Subsidiary's response thereto. In addition, the Borrower will provide the Administrative Agent with copies of all material communications with any government or governmental agency and all material communications with any Person relating to any Environmental Claim of which notice is required to be given pursuant to this Section 7.01(h), and such detailed reports of any such Environmental Claim as may reasonably be requested by the Administrative Agent or the Required Lenders.

(i) Sanctions Matters. Promptly and in any event within five Business Days after any Credit Party obtains actual knowledge thereof, the relevant Credit Party shall supply to the Administrative Agent (i) the details of any inquiry, claim, action, suit, proceeding or investigation pursuant to Sanctions Laws by any Sanctions Authority against it, any of its Subsidiaries, any of its direct or indirect owners, or any of their respective directors, officers, employees, agents or representatives as well as information on what steps are being taken to answer or oppose such inquiry, claim, action, suit, proceeding or investigation and (ii) that any Credit Party, any of its Subsidiaries

or any of its direct or indirect owners, or any of their respective directors, officers, employees agents or representatives has become or is likely to become a Restricted Party.

(j) Other Information. From time to time, such other information with respect to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its Subsidiaries as the Administrative Agent (or the Lenders through the Administrative Agent) may reasonably request.

(k) "Know your Customar" checks. If (i) 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, (ii) any change in the status of a Credit Party after the date of this Agreement, or (iii) a proposed assignment 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, in any case, obliges the Administrative Agent or any Lender (or in the case of clause (iii), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Administrative Agent or such Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Administrative Agent or such Lender (for itself or, in the case of the event described in clause (iii), on behalf of any prospective new Lender) for the Administrative Agent, such Lender or, in the case of the event described in clause (iii), such 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 Credit Documents, including, without limitation, obtaining, verifying and recording certain information and documentation that will allow the Administrative Agent and any Lender to identify each Credit Party in accordance with the requirements of the PATRIOT Act.

7.02 Books, Records and Inspections. The Borrower will, and will cause the Subsidiary Guarantors to, keep proper books of record and account in which full, true and correct entries, in conformity in all material respects with generally accepted accounting principles and all requirements of law, shall be made of all dealings and transactions in relation to its business. The Borrower will, and will cause the Subsidiary Guarantors to, permit officers and designated representatives of the Administrative Agent and the Lenders as a group to visit and inspect, during regular business hours and under guidance of officers of the Borrower or any Subsidiary Guarantor, any of the properties of the Borrower or any Subsidiary Guarantor, and to examine the books of account of the Borrower or such Subsidiary Guarantor and discuss the affairs, finances and accounts of the Borrower or such Subsidiary Guarantor with, and be advised as to the same by, its and their officers and independent accountants, all upon reasonable advance notice and at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or the Required Lenders may request; provided that, unless an Event of Default exists and is continuing at such time, the Administrative Agent and the Lenders shall not be entitled to request more than two such visitations and/or examinations in any fiscal year of the Borrower.

7.03 Maintenance of Property; Insurance. The Borrower will, and will cause each Subsidiary Guarantor to, (i) keep all material property necessary to its business in good working order and condition (ordinary wear and tear and loss or damage by casualty or condemnation excepted), (ii) maintain insurance with respect to property that is not Collateral Vessels in at least such amounts and against at least such risks as are in accordance with normal industry practice for similarly situated insureds, (iii) maintain the Required Insurance with respect to the Collateral Vessels at all times, and (iv) furnish to the Administrative Agent, at the written request of the Administrative Agent, a complete description of the material terms of insurance carried, or, at the Borrower's option, copies of such policies.

7.04 Corporate Franchise. The Borrower will, and will cause each Subsidiary Guarantor to, do or cause to be done all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, licenses and patents (if any) used in its business, provided that nothing in this Section 7.04 shall prevent (i) sales or other dispositions of assets, consolidations or mergers by or involving the Borrower or any Subsidiary Guarantor which are permitted in accordance with Section 8.02 or (ii) the abandonment by the Borrower or any Subsidiary Guarantor of any rights, franchises, licenses and patents that could not be reasonably expected to have a Material Adverse Effect.

7.05 Compliance with Statutes, etc.The Borrower will, and will cause each of its Subsidiaries to:

(a) comply with all laws or regulations: (i) applicable to their business, except when the failure to comply could not reasonably be expected to have a Material Adverse Effect and (ii) applicable to each Collateral Vessel, its ownership, employment, operation, management and registration, including the ISM Code, the ISPS Code, all Environmental Laws, all Sanctions Laws and the laws of the Flag Jurisdiction;

(b) obtain, comply with and do all that is necessary to maintain in full force and effect any approvals required by any Environmental Law; and

(c) without limiting paragraph (a) above, not employ any Collateral Vessel nor allow its employment, operation or management in any manner contrary to any applicable law or regulation including but not limited to the ISM Code, the ISPS Code, all applicable Environmental Laws and all applicable Sanctions Laws.

7.06 Compliance with Environmental Laws. The Borrower will, and will cause each of its Subsidiaries to (a) comply in all material respects with all Environmental Laws applicable to the ownership or use of any Collateral Vessel or property now or hereafter owned or operated by the Borrower or any of its Subsidiaries, pay or cause to be paid within a reasonable time period all costs and expenses incurred in connection with such compliance (except to the extent being contested in good faith), and keep or cause to be kept all such Collateral Vessel or property free and clear of any Liens imposed pursuant to such Environmental Laws. Neither the Borrower nor any of its Subsidiaries will generate, use, treat, store, release or dispose of, or permit the generation, use, treatment, storage, release or disposal of, Hazardous Materials on or from any Collateral Vessel or property now or hereafter owned or operated or occupied by the Borrower or any of its Subsidiaries, or transport or permit the transportation of Hazardous Materials to or from any ports or property except in material compliance with all applicable Environmental Laws and as reasonably required by the trade in connection with the operation, use and maintenance of any such property or otherwise in connection with their businesses and (b) ensure that any scrapping of a Collateral Vessel carried out while such Collateral Vessel is owned and controlled by the Borrower or any of its Subsidiaries shall be conducted in compliance with the IMO Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, as supplemented with future guidelines issued by the IMO in connection with such Convention, as applicable.

7.07 ERISA. (a) As soon as reasonably possible and, in any event, within ten (10) days after the Borrower knows or has reason to know of the occurrence of any of the following that could reasonably be expected to result in a Material Adverse Effect, the Borrower will deliver to the Administrative Agent a certificate of an Authorized Officer of the Borrower setting forth the details as to such occurrence and the action, if any, that the Borrower, such Subsidiary or such ERISA Affiliate is required or proposes to take:

(i) that a Reportable Event has occurred (except to the extent that the Borrower has previously delivered to the Administrative Agent a certificate concerning such event pursuant to the next clause hereof); or

(ii) that a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (which is not waived), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably expected to occur with respect to such Plan within the following 30 days; or

(iii) that a Plan (other than a Multiemployer Plan) has failed to satisfy the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, or an application has been made for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code or Section 303 of ERISA with respect to a Plan (other than a Multiemployer Plan); or

(iv) that any contribution required to be made by the Borrower or any of its Subsidiaries or any ERISA Affiliate with respect to a Plan subject to Title IV of ERISA or by the Borrower or any of its Subsidiaries with respect to a Foreign Pension Plan has not been timely made; or

(v) that a Plan has been terminated, partitioned or declared insolvent under Title IV of ERISA; or

(vi) that Borrower or any of its Subsidiaries or any ERISA Affiliate has received written notice from the PBGC or a plan administrator (in the case of a Multiemployer Plan) indicating that proceedings have been instituted by the PBGC to terminate or appoint a trustee to administer a Plan which is subject to Title IV of ERISA; or

(vii) that the Borrower or any of its Subsidiaries or any ERISA Affiliate has any liability (including any indirect, contingent, or secondary liability) to or on account of the termination of or withdrawal from a Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan under Section 4975 of the Code.

(b) The Borrower and each of its applicable Subsidiaries shall ensure that all Foreign Pension Plans administered by it, and shall monitor that all other Foreign Pension Plans into which it makes payments, obtain or retain (as applicable) registered status under and as required by applicable law and are administered in a timely manner in all respects in compliance with all applicable laws except where the failure to do any of the foregoing could not be reasonably likely to result in a Material Adverse Effect.

7.08 End of Fiscal Years; Fiscal Quarters. The Borrower will cause (i) each of its and its Subsidiaries' fiscal years to end on December 31 and (ii) each of its and its Subsidiaries' fiscal quarters to end on March 31, June 30, September 30 and December 31 of each year or such other date as shall be agreed to by the Administrative Agent (such consent not to be unreasonably withheld).

7.09 Performance of Obligations. The Borrower will, and will cause each Subsidiary Guarantor to, perform all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument (including, without limitation, the Credit Documents) by which it is bound, except such non-performances as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.10 Payment of Taxes. The Borrower will, and will cause each of its Subsidiaries to, pay and discharge, all material Taxes imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims for sums that have become due and payable which, if unpaid, might become a Lien not otherwise permitted under Section 8.01,

provided that neither the Borrower nor any of its Subsidiaries shall be required to pay any such Tax which is being contested in good faith and by proper proceedings if it maintains adequate reserves with respect thereto in accordance with GAAP.

7.11 Further Assurances. (a) The Borrower, and each other Credit Party, agrees that at any time and from time to time, at the expense of the Borrower or such other Credit Party, it will promptly execute and deliver all further instruments and documents, and take all further action that may be reasonably necessary, or that the Administrative Agent may reasonably require, to perfect and protect any Lien granted or purported to be granted hereby or by the other Credit Documents, or to enable the Collateral Agent to exercise and enforce its rights and remedies with respect to any Collateral. Without limiting the generality of the foregoing, the Borrower will execute, if required, and file, or cause to be filed, such financing or continuation statements under the UCC (or any non-U.S. equivalent thereto), or amendments thereto, such amendments or supplements to the Collateral Vessel Mortgages (including any amendments required to maintain Liens granted by such Collateral Vessel Mortgages), and such other instruments or notices, as may be reasonably necessary, or that the Administrative Agent may reasonably require, to protect and preserve the Liens granted or purported to be granted hereby and by the other Credit Documents.

(b) The Borrower hereby authorizes the Collateral Agent to file one or more financing or continuation statements under the UCC (or any non-U.S. equivalent thereto), and amendments thereto, relative to all or any part of the Collateral without the signature of the Borrower, where permitted by law. The Collateral Agent will promptly send the Borrower a copy of any financing or continuation statements which it may file without the signature of the Borrower and the filing or recordation information with respect thereto

(c) If at any time any Subsidiary of the Borrower owns a Collateral Vessel or owns, directly or indirectly, an interest in any Subsidiary which owns a Collateral Vessel and such Subsidiary has not otherwise satisfied the Collateral and Guaranty Requirements, the Borrower will cause such Subsidiary (and any Subsidiary which directly or indirectly owns the Equity Interests of such Subsidiary to the extent not a Credit Party) to satisfy the Collateral and Guaranty Requirements with respect to each relevant Collateral Vessel as such Subsidiary would have been required to satisfy pursuant to Section 5 of this Agreement had such Subsidiary been a Credit Party on a Borrowing Date.

(d) At the reasonable written request of any counterparty to an Interest Rate Protection Agreement entered into after the Closing Date (to the extent permitted under this Agreement to be entered into and secured) with one or more Lenders or any Affiliate thereof (even if, after the entry into such Interest Rate Protection Agreement, the respective Lender subsequently ceases to be a Lender for any reason), the applicable Credit Party and, at the written direction of the Collateral Agent, the mortgagee, shall promptly execute an amendment to each Collateral Vessel Mortgage adding obligations under such Interest Rate Protection Agreement as an additional secured obligation under each Collateral Vessel Mortgage (and allowing such obligations to be secured on such basis as set forth in this Agreement or in the other Security Documents), and cause the same to be promptly and duly recorded, and such amendment shall be in form and substance reasonably satisfactory to the Collateral Agent.

7.12 Deposit of Earnings. Each Credit Party will cause the earnings derived from each of the respective Collateral Vessels, to the extent constituting Earnings and Insurance Collateral, to be deposited by the respective account debtor in respect of such earnings into one or more of the Concentration Accounts maintained for such Credit Party or the Borrower from time to time (it being understood that, absent an Event

of Default, the Borrower and its Subsidiaries shall have full control of the funds within such Concentration Account). Without limiting any Credit Party's obligations in respect of this Section 7.12, each Credit Party agrees that, in the event it receives any earnings constituting Earnings and Insurance Collateral, or any such earnings are deposited other than in one of the Concentration Accounts, it shall promptly deposit all such proceeds into one of the Concentration Accounts maintained for such Credit Party or the Borrower from time to time. No Credit Party will enter into any agreement or arrangement for the sharing of any Earnings and Insurance Collateral other than pursuant to a pooling agreement relating to the Permitted Scorpio Pooling Arrangements.

7.13 Ownership of Subsidiaries and Collateral Vessels. (a) The Borrower will directly (or indirectly through a Wholly-Owned Subsidiary of the Borrower), own 100% of the Equity Interests in each Subsidiary Guarantor.

(b) The Borrower shall cause each Subsidiary Guarantor, to at all times, be directly wholly-owned by one or more Credit Parties.

(c) The Borrower will cause each Collateral Vessel to be owned at all times by a single Subsidiary Guarantor that owns no other Collateral Vessels.

7.14 Citizenship; Flag of Collateral Vessel; Collateral Vessel Classifications; Operation of Collateral Vessels

. (a) The Borrower will, and will cause each Subsidiary Guarantor which owns or operates a Collateral Vessel to, be qualified to own and operate such Collateral Vessel under the laws of the Republic of the Marshall Islands or another Acceptable Flag Jurisdiction, in each case in accordance with the terms of the related Collateral Vessel Mortgage, provided that the Collateral and Guaranty Requirements are satisfied with respect to such Collateral Vessel. Notwithstanding the foregoing, any Credit Party may transfer a Collateral Vessel to an Acceptable Flag Jurisdiction pursuant to the requirements set forth in the definition of "Flag Jurisdiction Transfer".

(b) The Borrower will and will cause each Subsidiary Guarantor which operates a Collateral Vessel to (i) comply with and satisfy in all material respects all applicable Legal Requirements of the jurisdiction of such Collateral Vessel's home port, now or hereafter from time to time in effect, in order that such Collateral Vessel shall continue to be documented pursuant to the laws of the jurisdiction of its home port with such endorsements as shall qualify such Collateral Vessel for participation in the trades and services to which it may be dedicated from time to time or (ii) not do or allow to be done anything whereby such documentation is or could reasonably be expected to be forfeited.

(c) Other than as a result of damage or casualty, the Borrower will and will cause each Subsidiary Guarantor which operates a Collateral Vessel to keep such Collateral Vessel in a good and sufficient state of repair consistent with the ship-ownership and management practice employed by first class owners of vessels of similar size and type and so as to ensure that each Collateral Vessel is classified in the highest class available for vessels of its age and type with an Acceptable Classification Society, (x) with respect to any Collateral Vessel the acquisition of which is being financed by a Loan pursuant to the terms hereof on the date of acquisition thereof, free of any conditions or recommendations applicable to such Collateral Vessel and (y) with respect to any Collateral Vessel other than the Collateral Vessels referred to in the preceding clause (x), free of any overdue conditions or recommendations affecting the seaworthiness of such Collateral Vessel, provided that if the classification of any of the Collateral Vessels shall be subject to any such recommendations, the Borrower will and will cause each Subsidiary Guarantor which operates such Collateral Vessel to provide a written report to the Administrative Agent describing the recommendations and assessing the

steps required to be taken to prevent such recommendations from becoming overdue recommendations.

(d) The Borrower will and will cause each Subsidiary Guarantor which operates a Collateral Vessel to (i) make or cause to be made all repairs to or replacement of any damaged, worn or lost parts or equipment such that the value of such Collateral Vessel will not be materially impaired and (ii) except as otherwise contemplated by this Agreement, not remove any material part of, or item of, equipment owned by the Credit Parties installed on such Collateral Vessel except in the ordinary course of the operation and maintenance of such Collateral Vessel unless (x) the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Lien (other than Permitted Liens) in favor of any Person other than the Collateral Agent and becomes, upon installation on such Collateral Vessel, the property of the Credit Parties and subject to the security constituted by the Collateral Vessel Mortgage or Security Documents or (y) the removal will not materially diminish the value of such Collateral Vessel.

(e) The Borrower will and will cause each Subsidiary Guarantor which operates a Collateral Vessel to submit such Collateral Vessel to such periodical or other surveys as may be required for classification purposes and, upon the written request of the Collateral Agent, supply to the Collateral Agent copies of all survey reports and classification certificates issued in respect thereof.

(f) The Borrower will and will cause each Subsidiary Guarantor which operates a Collateral Vessel to promptly pay and discharge all tolls, dues, taxes, assessments, governmental charges, fines, penalties, debts, damages and liabilities whatsoever which have given or may give rise to maritime or possessory Liens (other than Permitted Liens) on, or claims enforceable against, such Collateral Vessel other than any of the foregoing being contested in good faith and diligently by appropriate proceedings, and, in the event of arrest of any Collateral Vessel pursuant to legal process, or in the event of its detention in exercise or purported exercise of any such Lien or claim as aforesaid, procure, if possible, the release of such Collateral Vessel from such arrest or detention forthwith upon receiving notice thereof by providing bail or otherwise as the circumstances may require.

(g) The Borrower will and will cause each Subsidiary Guarantor which operates a Collateral Vessel to maintain, or cause to be maintained by the charterer or lessee of any Collateral Vessel, a valid Certificate of Financial Responsibility (Oil Pollution) issued by the United States Coast Guard pursuant to the Federal Water Pollution Control Act to the extent that such certificate may be required by applicable Legal Requirements for any Collateral Vessel and such other similar certificates as may be required in the course of the operations of any Collateral Vessel pursuant to the International Convention on Civil Liability for Oil Pollution Damage of 1969, or other applicable Legal Requirements.

(h) The Borrower will and will cause each Subsidiary Guarantor which operates a Collateral Vessel to cause such Collateral Vessels to be managed by the Technical Manager and the Commercial Manager, provided that nothing herein shall be construed so as to prohibit a Technical Manager or a Commercial Manager from sub-contracting its management duties.

7.15 Use of Proceeds. The Borrower will use the proceeds of the Loans only as provided in Section 6.10.

7.15 Charter Contracts. In connection with any Permitted Third Party Charters having an indicated duration of at least 24 months (including any optional extensions or renewals) and any Intra-Group Charter (other than, in each case, in connection with Permitted Scorpio Pooling Arrangements), the applicable

Credit Party shall, at its own cost and expense, promptly and duly execute and deliver to the Collateral Agent an Assignment of Charters (as defined in the General Assignment Agreement) in respect of such charter contract (if permitted thereunder), and (i) will use its commercially reasonable efforts to cause the charterer under such Permitted Third Party Charter and (ii) will cause the charterer under such Intra-Group Charter to execute and deliver to the Collateral Agent a consent to the Assignment of Charters (as defined in the General Assignment Agreement) in form and substance reasonably satisfactory to the Administrative Agent.

7.17 Separate Existence. The Borrower will, and will cause each Subsidiary Guarantor to:

(a) maintain its books, financial records and accounts, including checking and other bank accounts, and custodian and other securities safekeeping accounts, separate and distinct from those of the other Subsidiary Guarantors;

(b) maintain its books, financial records and accounts (including inter-entity transaction accounts) in a manner so that it will not be difficult or costly to segregate, ascertain or otherwise identify their assets and liabilities separate and distinct from the assets and liabilities of the other Subsidiary Guarantors;

(c) not commingle any of its assets, funds or liabilities with the assets, funds or liabilities of the other Subsidiary Guarantors;

(d) observe all requisite organizational procedures and formalities, including the holding of meetings of the boards of directors as required by its Organizational Documents, the recordation and maintenance of minutes of such meetings, and the recordation of and maintenance of resolutions adopted at such meetings;

(e) except as permitted by Section 8.02, not be consensually merged or consolidated with the other Subsidiary Guarantors (other than for financial reporting purposes);

(f) all transactions, agreements and dealings between the Borrower and the Subsidiary Guarantors (including, in each case, transactions, agreements and dealings pursuant to which the assets or property of one is used or to be used by the other), will reflect the separate identity and legal existence of each such Person;

(g) transactions between any of the Borrower and the Subsidiary Guarantors, on the one hand, and any third parties, on the other hand, will be conducted in the name of the Borrower or such Subsidiary Guarantor, as applicable, as an entity separate and distinct from the Borrower or such Subsidiary Guarantor, as applicable; and

(h) no Subsidiary Guarantor will refer to the Borrower as a department or division of such Subsidiary Guarantor and will not otherwise refer to the Borrower in a manner inconsistent with its status as a separate and distinct legal entity.

7.18 Sanctions. Each Credit Party shall ensure that none of it, nor any of its directors or officers, and shall use its best efforts to ensure that none of its employees, agents or representatives or any other person acting on any of their behalf is or will become a Restricted Party.

7.19 Maintenance of Listing. The Borrower shall maintain its listing on the New York Stock Exchange or such other reputable international stock exchange approved by the Agent (acting on the instructions of the Required Lenders) in writing, such approval not to be unreasonably withheld or delayed.

SECTION 8. Negative Covenants. The Borrower hereby covenants and agrees that on and after the Closing Date and until the Total Commitments, Loans and Notes (in each case together with interest thereon), Fees and all other Obligations (other than indemnities described in Section 11.01(b) which are not then due and payable) incurred hereunder and thereunder, are paid in full:

8.01 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any Collateral, whether now owned or hereafter acquired, or sell any such Collateral subject to an understanding or agreement, contingent or otherwise, to repurchase such Collateral (including sales of accounts receivable with recourse to the Borrower or any of its Subsidiaries); provided that the provisions of this Section 8.01 shall not prevent the creation, incurrence, assumption or existence of the following (Liens described below are herein referred to as "Permitted Liens"):

(a) inchoate Liens for Taxes, assessments or governmental charges or levies not yet due and payable or Liens for Taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with GAAP;

(b) Liens imposed by law, which were incurred in the ordinary course of business and do not secure Financial Indebtedness for borrowed money, such as carriers', warehousemen's, materialmen's and mechanics' liens and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of the Collateral and do not materially impair the use thereof in the operation of the business of the Borrower or any Subsidiary Guarantor or (y) which are being contested in good faith by appropriate proceedings, which proceedings (or orders entered in connection with such proceedings) have the effect of preventing the forfeiture or sale of the Collateral subject to any such Lien;

(c) Liens created pursuant to the Security Documents;

(d) Liens arising out of judgments, awards, decrees or attachments with respect to which the Borrower or any of its Subsidiaries shall in good faith be prosecuting an appeal or proceedings for review, provided that the aggregate amount of all such judgments, awards, decrees or attachments shall not exceed the Materiality Amount;

(e) Liens in respect of seamen's wages, chartering operations, drydocking and maintenance which are not past due and other maritime Liens arising in the ordinary course of business up to an aggregate amount not to exceed the Materiality Amount, which are for amounts (x) not more than 30 days past due or (y) which are being contested in good faith by appropriate proceedings, which proceedings (or orders entered in connection with such proceedings) have the effect of preventing the forfeiture or sale of the Collateral subject to any such Lien;

(f) Intra-Group Charters and Permitted Third Party Charters;

(g) Liens granted in favor of ABN AMRO, its branches and/or its Affiliates with respect to the Concentration Accounts under the general Banking Conditions (*Algemene Bankvoorwaarden*);

(h) Liens which rank after the Liens created by the Security Documents to secure the performance of bids, tenders, bonds or contracts; provided that (i) such bids, tenders, bonds or contracts directly relate to the Collateral Vessels, are incurred in the ordinary course of business and

do not relate to the incurrence of Financial Indebtedness for borrowed money, and (ii) at any time outstanding, the aggregate amount of Liens under this clause (h) shall not secure obligations in excess of the Materiality Amount; and

(i) Liens for salvage or general average for amounts which are not delinquent or which are being contested in good faith and by appropriate proceedings diligently conducted if adequate reserves with respect thereto are maintained on the books of the applicable Credit Party in accordance with GAAP.

8.02 Consolidation, Merger, Sale of Assets, etc.The Borrower will not, and will not permit any Subsidiary Guarantor to, wind up, liquidate or dissolve its affairs or enter into, any transaction of merger or consolidation, or convey, sell, lease, charter or otherwise dispose of all or substantially all of its assets (determined on a consolidated basis) or any of the Collateral, or enter into any sale-leaseback transactions involving all or substantially all of its assets (determined on a consolidated basis) or any of the Collateral, except that:

(a) the Borrower and each of its Subsidiaries may sell, lease or otherwise dispose of any vessel (or 100% of the Equity Interests of the Subsidiary that owns such vessel), provided that (i) in the case of any Collateral Vessels, such sale is made at fair market value (taking into consideration the Appraisals most recently delivered to the Administrative Agent (or obtained by the Administrative Agent) pursuant to Section 7.01(d) or delivered at the time of such sale to the Administra-tive Agent by the Borrower), (ii) in the case of the Collateral Vessels, 100% of the consideration in respect of such sale shall con-sist of cash or Cash Equivalents received by the Borrower, or the respective Subsid-iary Guarantor which owned such Collateral Vessel, on the date of consummation of such sale, (iii) in the case of the Collateral Vessels, the net cash proceeds of such sale or other disposition shall be applied as required by Section 4.02, to repay the Loans, (iv) no Default or Event of Default shall exist at such time and (v) before and after giving effect to any sale of a Collateral Vessel, the Borrower shall be in compliance with the Financial Covenant set forth in Section 8.07(e);

(b) (i) any Credit Party may transfer assets or lease to or acquire or lease assets from any other Credit Party and (ii) the Borrower or any Subsidiary of the Borrower (other than a Subsidiary Guarantor) may transfer assets or lease to or acquire or lease assets from the Borrower or any other Subsidiary of the Borrower (other than a Subsidiary Guarantor) or any Subsidiary of the Borrower (other than a Subsidiary Guarantor) may be merged into any Subsidiary of the Borrower (other than a Subsidiary Guarantor) or any Subsidiary Guarantor may be merged into the Borrower or any other Subsidiary Guarantor, in each case so long as (x) all actions necessary or desirable to preserve, protect and maintain the security interest and Lien of the Collateral Agent in any Collateral held by any Person involved in any such transaction are taken to the satisfaction of the Administrative Agent and (y) no Default or Event of Default exists after giving effect thereto;

(c) following a Collateral Disposition permitted by this Agreement, the Subsidiary Guarantor that owned the Collateral Vessel that is the subject of such Collateral Disposition may dissolve (or the equivalent), provided that (x) the net cash proceeds of such Collateral Disposition shall be applied to repay the Loans as required by Section 4.02, (y) all of the proceeds of such dissolution shall be paid only to the Borrower or a Subsidiary Guarantor and (z) no Event of Default is continuing at the time of such dissolution;

(d) any Collateral Vessel Owner may enter into an Intra-Group Charter or a Permitted Third Party Charter with respect to such Collateral Vessel;

(e) the Borrower and its Subsidiaries may make dispositions made in the ordinary course of trading of the disposing entity (excluding dispositions of Collateral Vessels or other Collateral) including without limitation, the payment of cash as consideration for the purchase or acquisition of any asset or service or in the discharge of any obligation incurred for value in the ordinary course of trading; and

(f) the Borrower and its Subsidiaries may make dispositions of assets (other than the Collateral Vessels or other Collateral) owned by them in exchange for other assets comparable or superior as to type and value.

To the extent the Required Lenders waive the provisions of this Section 8.02 with respect to the sale of any Collateral, or any Collateral is sold as permitted by Sections 8.02(a) or (b), such Collateral (unless sold to the Borrower or a Subsidiary of the Borrower) shall be sold free and clear of the Liens created by the Security Documents (which Liens shall be automatically released), and the Administrative Agent and Collateral Agent shall be authorized to take any actions deemed appropriate in order to effect the foregoing.

8.03 Restricted Payments. The Borrower will not, and will not permit any Subsidiary Guarantor to, authorize, declare, pay or make any Restricted Payment, except that:

(a) any Subsidiary Guarantor may pay or make Restricted Payments to the Borrower or another Subsidiary Guarantor; and

(b) the Borrower may pay or make Restricted Payments, provided that:

i. no Default or Event of Default exists at the time of such Restricted Payment and after giving effect thereto; and

ii. immediately after giving effect to such Restricted Payment, the Borrower and its Subsidiaries shall be in pro forma compliance with the Financial Covenants,

8.04 Indebtedness. The Borrower will not, and will not permit any Subsidiary Guarantor to, contract, create, incur, assume or suffer to exist any Financial Indebtedness (other than Financial Indebtedness incurred pursuant to this Agreement and the other Credit Documents), except that:

(a) the Borrower and each Subsidiary Guarantor may incur and remain liable for intercompany Financial Indebtedness permitted pursuant to Section 8.05(b);

(b) the Borrower and each Subsidiary Guarantor may enter into and remain liable for Contingent Obligations (other than Contingent Obligations constituting Financial Indebtedness) in respect of Collateral Vessel Acquisitions; and

(c) the Borrower (but not any Subsidiary Guarantor) may incur and remain liable for Financial Indebtedness not otherwise permitted under this Section 8.04 so long as (i) no Default or Event of Default exists at the time of such incurrence and after giving effect thereto and (ii) the Borrower and its Subsidiaries shall be in pro forma compliance with the Financial Covenants both before and after giving effect to such Financial Indebtedness.

8.05 Advances, Investments and Loans. The Borrower will not, and will not permit any of the Subsidiary Guarantors to, directly or indirectly, lend money or credit or make advances to any Person,

or purchase or acquire any Equity Interests in, or make any capital contribution to any other Person (each of the foregoing an "Investment" and, collectively, "Investments"), except that the following shall be permitted:

(a) the Borrower and the Subsidiary Guarantors may acquire and hold accounts receivable owing to any of them;

(b) the Borrower and the Subsidiary Guarantors may make Investments among themselves, provided that any loans or advances by or to the Borrower or any Subsidiary Guarantors pursuant to this Section 8.05(b) shall be subordinated to the Obligations of the respective Credit Party pursuant to written subordination provisions substantially in the form of Exhibit I;

(c) Investments and Capital Expenditures by the Borrower or Subsidiary Guarantors related to the use, operation, trading, repairs and maintenance work on Collateral Vessels or improvements to Collateral Vessels;

(d) Investments by the Borrower and the Subsidiary Guarantors in Interest Rate Protection Agreements to the extent permitted by Section 8.15;

(e) the Borrower and its Subsidiaries (other than the Subsidiary Guarantors) may establish new Subsidiaries;

(f) the Borrower and the Subsidiary Guarantors may make Investments to effect a Collateral Vessel Acquisition (including by acquiring a special purpose vehicle); and

(g) the Borrower and its Subsidiaries (other than the Subsidiary Guarantors) may make Investments not otherwise permitted by this Section 8.05 so long as (i) no Event of Default shall have occurred and be continuing and (ii) the Borrower and its Subsidiaries are in pro forma compliance with the Financial Covenants both before and after giving effect to such Investments.

For the avoidance of doubt, no Investment shall be made available, directly or indirectly, to or for the benefit of a Restricted Party in violation of Sanctions Laws nor shall they otherwise be applied in a manner or for a purpose prohibited by Sanctions Laws.

8.06 Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary Guarantor to, enter into any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of such Person, other than on terms and conditions no less favorable to such Person as would be obtained by such Person at that time in a comparable arm's-length transaction with a Person other than an Affiliate, except that:

(a) Restricted Payments may be paid to the extent provided in Section 8.03;

(b) loans and Investments may be made and other transactions may be entered into between the Borrower and the Subsidiary Guarantors to the extent not prohibited by Sections 8.04 and 8.05;

(c) the Borrower and the Subsidiary Guarantors may pay customary director's fees;

(d) the Borrower and the Subsidiary Guarantors may enter into employment agreements or arrangements with their respective officers and employees in the ordinary course of business;

(e) in lieu of Overhead Expenses incurred by the Borrower and the Subsidiary Guarantors, the Borrower and the Subsidiary Guarantors may pay amounts to one or more Affiliates in exchange for the provision of Overhead Expenses in respect of the Borrower and the Subsidiary Guarantors (so long as the cost paid by the Borrower and the Subsidiary Guarantors is fair and reasonable); and

(f) the Borrower may enter into and perform the Management Agreement.

The Borrower will not pay any fees or other amounts to its Affiliates other than as permitted by Section 8.03 and this Section 8.06.

8.07 Financial Covenants.

(a) Minimum Liquidity. The Borrower will not permit at any time from the Closing Date and until the Credit Facility is cancelled in full or terminated and all Obligations owing thereunder are paid in full, Consolidated Liquidity to be less than the greater of (i) $25,000,000 and (ii) the product of $700,000 multiplied by the number of Fleet Vessels at such time (the "Minimum Liquidity"); provided that not less than 66-2/3% of Minimum Liquidity shall consist of cash at all times.

(b) Minimum Consolidated Tangible Net Worth. The Borrower will not permit Consolidated Tangible Net Worth on the last day of any Test Period to be less than (a) $500,000,000, plus (b) 25% of the Borrower's cumulative positive Consolidated Net Income for each fiscal quarter commencing on or after December 31, 2013 and (c) 50% of the Equity Proceeds received by the Borrower from any issuance of Equity Interests in the Borrower occurring on or after December 31, 2013.

(c) Maximum Leverage Ratio. The Borrower will not permit the Leverage Ratio to be greater than 0.60 to 1.00 on the last day of any Test Period, commencing with the Test Period ending December 31, 2017.

(d) Collateral Maintenance. The Borrower will not permit the sum of (x) the Aggregate Appraised Value of the Collateral Vessels which have not been sold, transferred, lost or otherwise disposed of (it being understood that permitted chartering arrangements do not constitute disposals for this purpose) and (y) any Additional Collateral to fall below an amount that is equal to or less than on any date from and after the Closing Date, 140% of the aggregate outstanding principal amount of the Loans; provided that any non-compliance with this Section 8.07(d) shall not constitute an Event of Default (but shall constitute a Default), so long as within 60 days of the occurrence of such noncompliance, the Borrower shall either (x) post Additional Collateral reasonably acceptable to the Required Lenders (and shall during such period, and prior to satisfactory completion thereof, be diligently carrying out such actions) or (y) prepay Loans pursuant to Section 4.02(c) in an amount sufficient to cure such non-compliance.

(e) Changes to GAAP. If at any time after the Closing Date, the GAAP requirements materially change so as to impact the Financial Covenants set forth in Sections 8.07(a), (b) and (c) and if agreed between the Borrower and the Administrative Agent (acting upon the written consent of the Required Lenders), this Agreement shall be amended and/or supplemented to reflect such changes. If no such agreement is made, the GAAP requirements prior to any such change shall apply in determination of the Financial Covenants.

8.08 Limitation on Modifications of Certain Documents; etc. (a) The Borrower will not, and the Borrower will not permit any Subsidiary Guarantor to amend, modify or change its Organizational Documents or any agreement entered into by it with respect to its Equity Interests, or enter into any new agreement with respect to its Equity Interests, other than any amendments, modifications or changes or any such new agreements which are not in any way materially adverse to the interests of the Lenders.

(b) The Borrower or relevant Collateral Vessel Owner party to any Management Agreement, Intra-Group Charter or Permitted Third Party Charter will not agree to any amendments thereto or grant any waiver thereunder, in each case, which would be materially adverse to the interests of the Lenders, without the consent of the Administrative Agent.

8.09 Limitation on Certain Restrictions on Subsidiary Guarantors. The Borrower will not, and will not permit any Subsidiary Guarantor to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary Guarantor to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Borrower or any Subsidiary Guarantor, or pay any Financial Indebtedness owed to the Borrower or a Subsidiary Guarantor, (b) make loans or advances to the Borrower or any of the Subsidiary Guarantors or (c) transfer any of its properties or assets to the Borrower or any of the Subsidiary Guarantors, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Credit Documents, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or a Subsidiary Guarantor, (iv) customary provisions restricting assignment of any agreement (including a ship purchase agreement) entered into by the Borrower or a Subsidiary Guarantor in the ordinary course of business, (v) any holder of a Lien on assets other than the Collateral may restrict the transfer of the asset or assets subject thereto and (vi) restrictions which are not more restrictive than those contained in this Agreement.

8.10 Limitation on Issuance of Capital Stock (a) (i) The Borrower will not permit any Subsidiary Guarantor to issue any Preferred Equity (or equivalent equity interests) and (ii) the Borrower will not, and will not permit any Subsidiary to, issue any Disqualified Stock (or equivalent equity interests).

(b) The Borrower will not permit any Subsidiary Guarantor to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock, except (i) for transfers and replacements of then outstanding shares of capital stock, (ii) for stock splits, stock dividends and additional issuances which do not decrease the percentage ownership of the Borrower or any of its Subsidiaries in any class of the capital stock of such Subsidiary, (iii) in the case of foreign Subsidiaries of the Borrower, to qualify directors to the extent required by applicable law and (iv) to the Borrower or another Subsidiary Guarantor. All capital stock of any Subsidiary Guarantor issued in accordance with this Section 8.10(b) shall be delivered to the Collateral Agent pursuant to the Share Pledge Agreement.

8.11 Business. (a) The Borrower will not permit any Subsidiary Guarantor to engage in any business or own any significant assets or have any material liabilities other than its (i) ownership of the Equity Interests of, and the management of, Subsidiary Guarantors and (ii) the acquisition, ownership, management and operation of Collateral Vessels and activities related thereto, provided that the Subsidiary Guarantors may engage in those activities that are incidental to (A) the maintenance of its legal existence (including the ability to incur fees, costs, expenses and taxes relating to such maintenance), (B) legal, tax and accounting matters in connection with any of the foregoing or following activities as a member of the consolidated group of the Borrower, (C) the entering into, and performing its obligations under, this

Agreement, the other Credit Documents and its Organizational Documents, (D) holding any cash, Cash Equivalents and other property necessary or desirable in connection with, or incidental to, the ownership, management and operation of the Collateral Vessel; (E) making of Restricted Payments and Investments, incurring Financial Indebtedness consisting of (x) any guarantee of the obligations of any Credit Party in favor of the Technical Manager, Commercial Manager or other manager, (y) under the Credit Documents and (z) Contingent Obligations in respect of any Collateral Vessel Acquisitions and any other activities to the extent permitted hereunder; (F) providing indemnification to officers and directors; and (G) any activities incidental or reasonably related to the foregoing.

(b) The Borrower will not, and will not permit any Subsidiary Guarantor to, engage in any business other than the construction, ownership, management and operation of dry bulker vessels or other activities directly related thereto, and similar or related or complimentary businesses.

8.12 Bank Accounts. The Borrower will not permit any Subsidiary Guarantor to create charges over its deposit, savings, investment or other similar accounts or enter into control agreements with respect thereto in any jurisdiction other than (i) Permitted Liens and (ii) any liens granted in favor of a banking or brokerage institution arising by operation of law or general terms and conditions of such institution or otherwise encumbering deposits or securities held by such institution, in each case, which arise in the ordinary course of business in connection with the provision of deposit or security account services and are within the general parameters customary in the banking or brokerage industry.

8.13 Jurisdiction of Employment. The Borrower will not, and will not permit the Subsidiary Guarantors or any third party charterer of a Collateral Vessel to employ or cause to be employed any Collateral Vessel in any country or jurisdiction in which (i) the Borrower, the Subsidiary Guarantors or such third party charterer of a Collateral Vessel is prohibited by law from doing business, (ii) the Lien created by the applicable Collateral Vessel Mortgage will be rendered unenforceable or (iii) the Collateral Agent's foreclosure or enforcement rights will be materially impaired or hindered.

8.14 Operation of Collateral Vessels. The Borrower will not, and will not permit any Subsidiary Guarantor to, engage in the following undertakings:

(a) without giving prior written notice thereof to the Collateral Agent, change the registered owner, name, official or patent number, as the case may be, the home port or class of any Collateral Vessel;

(b) change the Commercial Manager or Technical Manager unless the existing Commercial Manager or Technical Manager resigns and is not replaced within 90 days by a commercial manager or technical manager reasonably satisfactory to the Administrative Agent; or

(c) without the prior consent of the Administrative Agent (or, in the case of the registry, the Required Lenders) (such consent not to be unreasonably withheld), change the registered flag registry or classification society of any Collateral Vessel unless the change is to an Acceptable Flag Jurisdiction (and the requirements of the Flag Jurisdiction Transfer have been satisfied) or to an Acceptable Classification Society.

8.15 Interest Rate Protection Agreements. The Borrower will not and will not permit any Subsidiary Guarantor to enter into Interest Rate Protection Agreements or other hedging or similar agreements other than Interest Rate Protection Agreements entered into in the ordinary course of business and not for speculative purposes, provided that (i) the Borrower may only enter into and remain liable under Interest

Rate Protection Agreements entered into with a Lender or an Affiliate of a Lender with respect to the Collateral Vessels or the Obligations of the Borrower and each other Credit Party under this Agreement and (ii) the notional amount of obligations hedged under such Interest Rate Protection Agreements shall not at any time exceed the outstanding principal amount of the Loans.

SECTION 9. Events of Default. Each of the following shall constitute an "Event of Default" for purposes of this Agreement and the other Credit Documents:

9.01 Payments. The Borrower shall (i) default in the payment when due of any principal or interest payable in connection with any Loan or any Note or (ii) default in the payment when due of any other sums payable under a Credit Document or under any document relating to a Credit Document or, in the case of sums payable on demand, within five (5) Business Days after the date when first demanded; provided that if such failure to pay a sum when due is solely the result of an administrative or technical error, it shall not constitute an Event of Default unless such failure continues unremedied for more than three (3) Business Days; or

9.02 Representations, etc.

Any representation, warranty or statement made by any Credit Party herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

9.03 Covenants. Any Credit Party shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Sections 7.01(f)(i), 7.03 (other than clause (i) or (iv) thereof), 7.06, 7.18, 7.19 or Section 8 (other than Section 8.07(e)) or (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in this Agreement or any other Credit Document to which it is a party and, in the case of this clause (ii), such default shall continue unremedied for a period of 30 days after written notice to the Borrower by the Administrative Agent; or

9.04 Default Under Other Agreements. (i) The Borrower or any of its Subsidiaries shall default in any payment of any Financial Indebtedness (other than the Obligations) beyond the period of grace, if any, provided in the instrument or agreement under which such Financial Indebtedness was created or (ii) the Borrower or any of its Subsidiaries shall default in the observance or performance of any agreement or condition relating to any Financial Indebtedness (other than the Obligations) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Financial Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Financial Indebtedness to become due prior to its stated maturity, (iii) any Financial Indebtedness (other than the Obligations) of the Borrower or any of its Subsidiaries shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment or in connection with an asset sale, casualty or condemnation or other similar mandatory prepayment, prior to the stated maturity thereof, provided that it shall not be a Default or Event of Default under this Section 9.04 unless the aggregate principal amount of all Financial Indebtedness as described in preceding clauses (i) through (iii), inclusive, exceeds $10,000,000;

9.05 Bankruptcy, etc.The Borrower or any of its Material Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against the Borrower or any of its Material Subsidiaries and the petition is not controverted within 30 days after service of summons (or such longer period as may be provided by such summons), or is not dismissed

within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of the Borrower or any of its Material Subsidiaries, or the Borrower or any of its Material Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Borrower or any of its Material Subsidiaries or there is commenced against the Borrower or any of its Material Subsidiaries any such proceeding which remains undismissed for a period of 60 days, or the Borrower or any of its Material Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or any of its Material Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or the Borrower or any of its Material Subsidiaries makes a general assignment for the benefit of creditors; or any corporate action is taken by the Borrower or any of its Material Subsidiaries for the purpose of effecting any of the foregoing; or

9.06 ERISA. If:

(a) (i) any Plan (other than a Multiemployer Plan) shall fail to satisfy the minimum funding standard required for any plan year or part thereof under Section 412 of the Code or Section 302 of ERISA or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code or Section 303 of ERISA;

(ii) a Reportable Event shall have occurred;

(iii) a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA shall be subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (which is not waived) and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 shall be reasonably expected to occur with respect to such Plan within the following thirty (30) days;

(iv) any Plan (other than a Multiemployer Plan) which is subject to Title IV of ERISA shall have had or is reasonably likely to have a trustee appointed to administer such Plan;

(v) any Plan which is subject to Title IV of ERISA is, or shall have been terminated or the subject of termination proceedings under ERISA;

(vi) a contribution required to be made by the Borrower or any of its Subsidiaries or any ERISA Affiliate with respect to a Plan subject to Title IV of ERISA or by the Borrower or any of its Subsidiaries with respect to a Foreign Pension Plan is not timely made;

(vii) any Plan (other than a Multiemployer Plan) shall have an Unfunded Current Liability;

(viii) the Borrower or any of its Subsidiaries or any ERISA Affiliate has received written notice from the PBGC or a plan administrator (in the case of a Multiemployer Plan) indicating that proceedings have been instituted by the PBGC to terminate or appoint a trustee to administer a Plan subject to Title IV of ERISA;

(ix) the Borrower or any of its Subsidiaries or any ERISA Affiliate has or is reasonably likely to have any liability to or on account of a Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 4975 of the Code; or

(x) a “default,” within the meaning of Section 4219(c)(5) of ERISA, shall occur with respect any Multiemployer Plan;

(b) there shall result from any such event or events the imposition of a lien, the granting of a security interest, or a liability or a material and impending risk of incurring a liability; and

(c) such lien, security interest or liability, individually, and/or in the aggregate, has had, or would reasonably be expected to have, a Material Adverse Effect; or

9.07 Security Documents. At any time after the execution and delivery thereof, any of the Security Documents shall, other than in accordance with the terms hereof or thereof, cease to be in full force and effect in any material respect, or shall cease in any material respect to give the Collateral Agent for the benefit of the Secured Creditors the Liens, rights, powers and privileges purported to be created thereby (including, without limitation, a perfected security interest in, and Lien on, all of the Collateral), in favor of the Collateral Agent, superior to and prior to the rights of all third Persons (except in connection with Permitted Liens), and subject to no other Liens (except Permitted Liens), or any "event of default" (as defined in any Collateral Vessel Mortgage) shall occur in respect of any Collateral Vessel Mortgage; or

9.08 Subsidiaries Guaranty. After the execution and delivery thereof, any Subsidiaries Guaranty, or any material provision thereof, shall cease to be in full force or effect in any material respect as to the relevant Subsidiary Guarantor (unless such Subsidiary Guarantor is no longer a Subsidiary by virtue of a liquidation, sale, merger or consolidation permitted by Section 8.02) or any Subsidiary Guarantor (or Person acting by or on behalf of such Subsidiary Guarantor) shall deny or disaffirm such Subsidiary Guarantor's obligations under the Subsidiaries Guaranty to which it is a party; or

9.09 Judgments. One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries (except any judgment or decree entered against an Immaterial Newbuild Subsidiary in connection with or arising out of any shipbuilding contract) involving in the aggregate for the Borrower and its Subsidiaries a liability (not paid or fully covered by a reputable and solvent insurance company) and such judgments and decrees either shall be final and non-appealable or shall not be vacated, discharged or stayed or bonded pending appeal for any period of 30 Business Days, and the aggregate amount of all such judgments, to the extent not covered by insurance, exceeds the Materiality Amount; or

9.10 Illegality. It becomes unlawful or impossible:

i. for any Credit Party to discharge any liability under the Credit Documents or to comply with any other obligation which the Required Lenders consider material under the Credit Documents, or

ii. for the Administrative Agent, the Collateral Agent and the Lenders to exercise or enforce any material right under, or to enforce any security interest created by the Credit Documents; or

9.11 Termination of Business. Any Credit Party ceases or suspends or threatens to cease or suspend the carrying on of its business, or a part of its business (in each case other than in connection with drydockings, maintenance of the Collateral Vessel and other temporary suspensions of operations in the ordinary course of business) which, in the opinion of the Required Lenders, is material in the context of this Agreement; or

9.12 Material Adverse Effect. An event or series of events occurs which, in the reasonable opinion of the Required Lenders constitutes a Material Adverse Effect; or

9.13 Authorizations and Consents. Any consent necessary to enable a Collateral Vessel Owner to own, operate or charter the Collateral Vessel owned by it or to enable the Borrower or any other Credit Party to comply with any provision which the Required Lenders consider material of a Credit Document

is not granted, expires without being renewed, is revoked or becomes liable to be revoked or any condition of such a consent is not fulfilled; or

9.14 Arrest; Expropriation. All or a material part of the undertakings, assets, rights or revenues of, or shares or other ownership interest in, any Credit Party are arrested, seized, nationalized, expropriated or compulsorily acquired by or under the authority of any government, provided that in the reasonable opinion of the Administrative Agent, such occurrence would adversely affect any Credit Party's ability to perform its obligations under the Credit Documents to which it is a party.

Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent may, and upon the written request of the Required Lenders, shall by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent, any Lender or the holder of any Note to enforce its claims against any Credit Party (provided that, if an Event of Default specified in Section 9.05 shall occur, the result which would occur upon the giving of written notice by the Administrative Agent to the Borrower as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Commitments terminated, whereupon all Commitments of each Lender shall forthwith terminate immediately and any Commitment Commission shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans, Notes and all Obligations owing hereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Credit Party; or (iii) enforce, as Collateral Agent, all of the Liens and security interests created pursuant to the Security Documents.

SECTION 10. Agency and Security Trustee Provisions

10.01 Appointment. (a) The Lenders in their capacity as Lenders and Other Creditors (by their acceptance of the benefits hereof and of the other Credit Documents) hereby irrevocably designate and appoint ABN AMRO, as Administrative Agent (for purposes of this Section 10 the term "Administrative Agent" shall include ABN AMRO (and/or any of its affiliates) in its capacity as Collateral Agent pursuant to the Security Documents and in its capacity as mortgagee (if applicable) and security trustee pursuant to the Collateral Vessel Mortgages) to act as specified herein and in the other Credit Documents. Each Lender hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, the Agents to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of such Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agents may perform any of their duties hereunder by or through its respective officers, directors, agents, employees or affiliates and, may assign from time to time any or all of its rights, duties and obligations hereunder and under the Security Documents to any of its banking affiliates.

(b) The Lenders hereby irrevocably designate and appoint ABN AMRO as security trustee solely for the purpose of holding the Collateral Vessel Mortgages on each of the Collateral Vessels in an Acceptable Flag Jurisdiction on behalf of the Lenders, from time to time, with regard to the (i) security, powers, rights, titles, benefits and interests (both present and future) constituted by and conferred on the Lenders or any of them or for the benefit thereof under or pursuant to the Collateral Vessel Mortgages (including, without limitation, the benefit of all covenants, undertakings, representations, warranties and obligations given, made or undertaken by any Lender in the Collateral Vessel Mortgages), (ii) all money, property and other assets paid or transferred to or vested in any

Lender or any agent of any Lender or received or recovered by any Lender or any agent of any Lender pursuant to, or in connection with the Collateral Vessel Mortgages, whether from the Borrower or any Subsidiary Guarantor or any other Person and (iii) all money, investments, property and other assets at any time representing or deriving from any of the foregoing, including all interest, income and other sums at any time received or receivable by any Lender or any agent of any Lender in respect of the same (or any part thereof). ABN AMRO hereby accepts such appointment as security trustee.

10.02 Nature of Duties. (a) The Agents shall have no duties or responsibilities except those expressly set forth in this Agreement and the Security Documents. None of the Agents nor any of their respective officers, directors, agents, employees or affiliates shall be liable for any action taken or omitted by it or them hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by such Person's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final and non-appealable decision (any such liability limited to the applicable Agent to whom such Person relates). The duties of each of the Agents shall be mechanical and administrative in nature; none of the Agents shall have by reason of this Agreement or any other Credit Document any fiduciary relationship in respect of any Lender or the holder of any Note; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon any Agents any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

(b) It is understood and agreed that the use of the term "agent" herein or in any other Credit Documents (or any other similar term) with reference to the Administrative Agent in such capacity is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

10.03 Lack of Reliance on the Agents. Independently and without reliance upon the Agents, each Lender and the holder of each Note, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Borrower and its Subsidiaries in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Borrower and its Subsidiaries and, except as expressly provided in this Agreement, none of the Agents shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender or the holder of any Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter. None of the Agents shall be responsible to any Lender or the holder of any Note for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectability, priority or sufficiency of this Agreement or any other Credit Document or the financial condition of the Borrower and its Subsidiaries or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition of the Borrower and its Subsidiaries or the existence or possible existence of any Default or Event of Default.

10.04 Certain Rights of the Agents. If any of the Agents shall request instructions from the Required Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Agents shall be entitled to refrain from such act or taking such action unless and until the Agents shall have received instructions from the Required Lenders; and the Agents shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender or the holder of any Note shall have any right of action whatsoever against the Agents as a result of any of the

Agents acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders.

10.05 Reliance. Each of the Agents shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, email, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the applicable Agent reasonably believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by the Administrative Agent.

10.06 Indemnification. To the extent any of the Agents is not reimbursed and indemnified by the Borrower, the Lenders will reimburse and indemnify the applicable Agents, in proportion to their respective "percentages" as used in determining the Required Lenders (without regard to the existence of any Defaulting Lenders), for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by such Agents in performing their respective duties hereunder or under any other Credit Document, in any way relating to or arising out of this Agreement or any other Credit Document (including, without limitation, as a result of a breach of any Sanctions Laws by a Credit Party); provided that no Lender shall be liable in respect to an Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision). The indemnities contained in this Section 10.06 shall cover any cost, loss or liability incurred by each Indemnified Party in any jurisdiction arising or asserted under or in connection with any law relating to safety at sea, the ISM Code, ISPS Code or any Environmental Law.

10.07 The Administrative Agent in its Individual Capacity. With respect to its obligation to make Loans under this Agreement, each of the Agents shall have the rights and powers specified herein for a "Lender" and may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Lenders," "Secured Creditors", "Required Lenders", "holders of Notes" or any similar terms shall, unless the context clearly otherwise indicates, include each of the Agents in their respective individual capacity. Each of the Agents may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with any Credit Party or any Affiliate of any Credit Party as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrower or any other Credit Party for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

10.08 Holders. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Note or of any Note or Notes issued in exchange therefor.

10.09 Resignation by the Administrative Agent.

(a) The Administrative Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving 30days' prior written notice to the Borrower and the Lenders. Such resignation shall take effect upon the

appointment of a successor Administrative Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon a notice of resignation delivered by the Administrative Agent pursuant to Section 10.09(a), the Required Lenders shall appoint a successor Administrative Agent hereunder or thereunder who shall be a commercial bank or trust company reasonably acceptable to the Borrower.

(c) If, following the Administrative Agent delivering a notice of resignation pursuant to Section 10.09(a), a successor Administrative Agent shall not have been so appointed within such 30 Business Day period, the Administrative Agent, with the consent of the Borrower (which shall not be unreasonably withheld or delayed), shall then appoint a commercial bank or trust company with capital and surplus of not less than $500,000,000 as successor Administrative Agent who shall serve as Administrative Agent hereunder or thereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above.

(d) If no successor Administrative Agent has been appointed pursuant to clause (b) or (c) above by the 25th day after the date such notice of resignation was given by the Administrative Agent, the Administrative Agent's resignation shall become effective and the Required Lenders shall thereafter perform all the duties of the Administrative Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above.

(e) The Administrative Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time and may appoint one of its Affiliates, as a successor by giving 5 Business Days' prior written notice to the Borrower and the Lenders. The Administrative Agent shall bear all reasonable documentation costs incurred in connection with the Administrative Agent's resignation under this clause (e).

10.10 Collateral Matters. (a) Each Lender authorizes and directs the Collateral Agent to enter into the Security Documents for the benefit of the Lenders and the other Secured Creditors. Each Lender hereby agrees, and each holder of any Note by the acceptance thereof will be deemed to agree, that, except as otherwise set forth herein, any action taken by the Required Lenders in accordance with the provisions of this Agreement or the Security Documents, and the exercise by the Required Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. The Collateral Agent is hereby authorized on behalf of all of the Lenders, without the necessity of any notice to or further consent from any Lender, from time to time prior to, or during, an Event of Default, to take any action with respect to any Collateral or Security Documents which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Security Documents.

(b) The Lenders hereby authorize the Collateral Agent, at its option and in its discretion, to release any Lien on any property granted to or held by the Collateral Agent under any Credit Document (i) upon termination of all Commitments and payment and satisfaction in full of the Obligations (other than contingent indemnification obligations) at any time arising under or in respect of this Agreement or the Credit Documents or the trans-actions contemplated hereby or thereby, (ii) that is sold or otherwise dis-posed of (to Persons other than the Borrower and its Subsidiaries) upon the sale or other disposition thereof in compliance with Section 8.02, (iii) in connection with any Flag Jurisdiction Transfer, provided that the requirements thereof are satisfied by the relevant Credit Party, and (iv) if approved, authorized or ratified in writing by the Required Lenders (or all of the Lenders hereunder, to the extent required by Section 11.13) or (v) as otherwise may be expressly provided in the relevant Security Documents. Upon request by the Administrative

Agent at any time, the Lenders will confirm in writing the Collateral Agent's authority to release its interest in particular types or items of Collateral pursuant to this Section 10.10.

(c) The Collateral Agent shall have no obligation whatsoever to the Lenders or to any other Person to assure that the Collateral exists or is owned by any Credit Party or is cared for, protected or insured or that the Liens granted to the Collateral Agent herein or pursuant hereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise or to continue exercising at all or in any manner or under any duty of care, disclosure or fidelity any of the rights, authorities and powers granted or available to the Collateral Agent in this Section 10.10 or in any of the Security Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Collateral Agent shall have no duty or liability whatsoever to the Lenders, except for its gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision).

(d) (i) The Other Creditors shall not have any right whatsoever to do any of the following: (A) exercise any rights or remedies with respect to the Collateral or to direct any Agent to do the same, including, without limitation, the right to (1) enforce any Liens or sell or otherwise foreclose on any portion of the Collateral, (2) request any action, institute any proceedings, exercise any voting rights, give any instructions, make any election or make collections with respect to all or any portion of the Collateral or (3) release any Credit Party under any Credit Document or release any Collateral from the Liens of any Security Document or consent to or otherwise approve any such release; (B) demand, accept or obtain any Lien on any Collateral (except for Liens arising under, and subject to the terms of, the Credit Documents); (C) vote in any case concerning any Credit Party under the Bankruptcy Code or any other proceeding under any reorganization, arrangement, adjudication of debt, relief of debtors, dissolution, insolvency, liquidation or similar proceeding in respect of the Credit Parties or any of their respective Subsidiaries (any such proceeding, for purposes of this clause (d)(i), a "Bankruptcy Proceeding") with respect to, or take any other actions concerning the Collateral; (D) receive any proceeds from any sale, transfer or other disposition of any of the Collateral (except in accordance with this Agreement); (E) oppose any sale, transfer or other disposition of the Collateral; (F) object to any debtor-in-possession financing in any Bankruptcy Proceeding which is provided by one or more Lenders among others (including on a priming basis under Section 364(d) of the Bankruptcy Code); (G) object to the use of cash collateral in respect of the Collateral in any Bankruptcy Proceeding; or (H) seek, or object to the Lenders or any Agent seeking on an equal and ratable basis, any adequate protection or relief from the automatic stay with respect to the Collateral in any Bankruptcy Proceeding.

(ii) Each Other Creditor, by its acceptance of the benefits of this Agreement and the other Credit Documents, agrees that in exercising rights and remedies with respect to the Collateral, the Agents and the Lenders, with the consent of the Agents, may enforce the provisions of the Credit Documents and exercise remedies thereunder (or refrain from enforcing rights and exercising remedies), all in such order and in such manner as they may determine in the exercise of their sole business judgment. Such exercise and enforcement shall include, without limitation, the rights to collect, sell, dispose of or otherwise realize upon all or any part of the Collateral, to incur expenses in connection with such collection, sale, disposition or other realization and to exercise all the rights and remedies of a secured lender under the UCC. The Other Creditors by their acceptance of the benefits of this Agreement and the other Credit Documents hereby agree not to contest or otherwise challenge any such collection, sale, disposition or other realization of or upon all or any of the Collateral. Whether or not a Bankruptcy Proceeding has been commenced, the Other Creditors shall be deemed to have consented to any sale or other disposition of any property, business or assets of the Credit Parties and the release of any or all of the Collateral from the Liens of any Security Document in connection therewith.

(iii) To the maximum extent permitted by law, each Other Creditor waives any claim it might have against the Agents or the Lenders with respect to, or arising out of, any action or failure to act or any error of judgment, negligence, or mistake or oversight whatsoever on the part of any Agent or the Lenders or their respective directors, officers, employees or agents with respect to any exercise of rights or remedies under the Credit Documents or any transaction relating to the Collateral (including, without limitation, any such exercise described in this Section 10.10(d)(iii)), except for any such action or failure to act that constitutes willful misconduct or gross negligence of such Person. To the maximum extent permitted by applicable law, none of either Agent or any Lender or any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Borrower, any Subsidiary of the Borrower, any Other Creditor or any other Person or to take any other action or forbear from doing so whatsoever with regard to the Collateral or any part thereof, except for any such action or failure to act that constitutes willful misconduct or gross negligence of such Person.

(e) Delivery of Information

. The Agents shall not be required to deliver to any Lender originals or copies of any documents, instruments, notices, communications or other information received by the Agents from any Credit Party, any Subsidiary, the Required Lenders, any Lender or any other Person under or in connection with this Agreement or any other Credit Document except (i) as specifically provided in this Agreement or any other Credit Document and (ii) as specifically requested from time to time in writing by any Lender with respect to a specific document, instrument, notice or other written communication received by and in the possession of any Agent at the time of receipt of such request and then only in accordance with such specific request.

(f) Certain ERISA Matters

. Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, and the Lead Arranger, and each other Lead Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans or the Commitments.

(g) "Know your Customer" checks

. Each Lender shall promptly upon the request of the Administrative Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Administrative Agent in order for the Administrative Agent to carry out and 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 Credit Documents.

(l) Miscellaneous

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(a) Payment of Expenses, etc.

(a) The Borrower agrees that it shall (i) pay all reasonable and documented out-of-pocket costs and expenses of each of the Agents and their Affiliates (which shall be limited, in the case of legal fees, to the reasonable and documented fees and disbursements of one legal counsel to the Administrative Agent and the Lead Arrangers, local counsel and maritime counsel (as necessary) to the Administrative Agent) in connection with the syndication of the Credit Facility, the preparation, negotiation, execution, delivery and

administration of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto (whether or not the transactions herein contemplated are consummated), (ii) pay all reasonable and documented out-of-pocket fees, costs and expenses of each of the Agents and the Lenders (including, without limitation, the reasonable fees and disbursements of counsel (excluding in-house counsel) for each of the Agents and for each of the Lenders) in connection with the enforcement or protection of its rights (A) in connection this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and (B) in connection with the Loans made hereunder, including such expenses incurred during any workout, restructuring or negotiations in respect of such Loans and (iii) any amounts payable to the Administrative Agent and the Collateral Agent pursuant clauses (a) and (b) of this Section 11.01 shall include the costs of utilizing the Administrative Agent's and the Collateral Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Administrative Agent and the Collateral Agent may notify to the Borrowers and the Lenders, and is in addition to any fee paid or payable to the Administrative Agent and the Collateral Agent under this Section 11.01.

(b) In addition, the Borrower shall indemnify the Agents and each Lender, and each of their respective officers, directors, trustees, employees, representatives and agents (collectively, the "Indemnified Parties") from, and hold each of them harmless against, any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, civil penalties, fines, settlements, suits and out-of-pocket costs, expenses and disbursements (including reasonable and documented out-of-pocket attorneys' and consultants' fees and disbursements) incurred by, imposed on or assessed against any of them as a result of, or arising out of, or in any way related to, or by reason of:

(i) any investigation, litigation or other proceeding (whether or not any of the Agents, the Collateral Agent or any Lender is a party thereto) related to the entering into and/or performance of this Agreement or any other Credit Document or the use of proceeds of the Loans hereunder or the consummation of any transactions contemplated herein, or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents,

(ii) the actual or alleged presence of Hazardous Materials on or from any Collateral Vessel or real property or facility at any time owned or operated by the Borrower or any Subsidiary,

(iii) the generation, storage, transportation, handling, disposal or Environmental Release of Hazardous Materials at any location, whether or not owned or operated by the Borrower,

(iv) the non-compliance of any Collateral Vessel or any real property or facility at any time owned or operated by the Borrower or any Subsidiary with Environmental Law or applicable foreign, federal, state and local laws, regulations, and ordinances (including applicable permits thereunder),

(v) any Environmental Claim asserted against the Borrower, any Subsidiary or any Collateral Vessel or any real property or facility at any time owned or operated by the Borrower or any Subsidiary Guarantor, or

(vi) the conduct of any Credit Party or any of its partners, directors, officers, employees, agents or advisors, that violates any Sanctions Laws,

in each case excluding any losses, liabilities, claims, damages, penalties, actions, judgments, suits, costs, disbursements or expenses to the extent incurred by reason of the gross negligence of, the breach in bad faith

of the Credit Documents by, or willful misconduct of, any such Indemnified Party or by reason of a failure by any such Indemnified Party to fund its Commitments as required by this Agreement. To the extent that the undertaking to indemnify, pay or hold harmless each of the Agents or any Lender set forth in the preceding sentence may be unenforceable because it violates any law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law. Notwithstanding the foregoing, no party hereto shall be responsible to any Person for any consequential, indirect, special or punitive damages which may be alleged by such Person arising out of this Agreement or the other Credit Documents.

(b) Right of Setoff

. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Subsidiary or the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Financial Indebtedness at any time held or owing by such Lender (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of the Borrower or any Subsidiary but in any event excluding assets held in trust for any such Person against and on account of the Obligations and liabilities of the Borrower or such Subsidiary, as applicable, to such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations purchased by such Lender pursuant to Section 11.06(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

(c) Notices

. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopier or e-mail communication) and mailed, e-mailed, telecopied or delivered: if to the Borrower, at the Borrower's address specified on Schedule VII hereto; if to any Lender, at its address specified opposite its name on Schedule II hereto; and if to the Administrative Agent, at its Notice Office; or, as to any other Credit Party, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each Lender, at such other address as shall be designated by such Lender in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, (i) when mailed, be effective three Business Days after being deposited in the mails, prepaid and properly addressed for delivery, (ii) when sent by overnight courier, be effective one Business Day after delivery to the overnight courier prepaid and properly addressed for delivery on such next Business Day, or (iii) when sent by telecopier or e-mail, be effective when sent by telecopier or e-mail, except that notices and communications to the Administrative Agent shall not be effective until received by the Administrative Agent.

(d) Benefit of Agreement; Assignments; Participations

. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that (i) no Credit Party may assign, transfer, dispose of any of its rights, obligations or interest hereunder or under any other Credit Document without the prior written consent of the Lenders, (ii) although any Lender may grant participations in its rights hereunder, such Lender shall remain a "Lender" for all purposes hereunder (and may not transfer or assign all or any portion of its Commitments hereunder except as provided in Section 11.04(b)) and no participant shall constitute a "Lender" hereunder and (iii) no Lender shall transfer or grant any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit

Document except to the extent such amendment or waiver would (x) extend the final scheduled maturity of any Loan or Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or Commitment Commission thereon (except (I) in connection with a waiver of applicability of any post-default increase in interest rates and (II) that any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in the rate of interest for purposes of this clause (x)) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (y) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or (z) release all or substantially all of the Collateral under all of the Security Documents (except as expressly provided in the Credit Documents) securing the Loans hereunder in which such participant is participating. In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Loan or other obligations under the Note (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any commitments, loans or its other obligations under any Note) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

1. Notwithstanding the foregoing, any Lender (or any Lender together with one or more other Lenders) may:

(x) assign all or a portion of its Commitment and/or its outstanding Loans to its (i) parent company and/or any Affiliate of such Lender or its parent company or (ii) in the case of any Lender that is a fund that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same investment advisor of such Lender or by an Affiliate of such investment advisor or (iii) to one or more Lenders or

(y) assign, with the consent of the Borrower and the Administrative Agent (in each case which consent shall not be unreasonably withheld or delayed and in the case of the Borrower, (i) shall not be required if any Default under Section 9.01 or 9.05 or any Event of Default is then in existence and (ii) shall be deemed to have been granted within 15 Business Days from the day it has been sought unless expressly refused within that period), all, or if less than all, a portion equal to at least $15,000,000 in the aggregate for the assigning Lender or assigning Lenders, of such Commitments and outstanding principal amount of Loans hereunder to one or more Eligible Transferees (treating any fund that invests in bank loans and any other fund that invests in bank loans and is managed or advised by the same investment advisor of such fund or by an Affiliate of such investment advisor as a single Eligible Transferee), each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Assumption Agreement,

provided that (i) at such time Schedule I hereto shall be deemed modified to reflect the Commitments (and/or outstanding Loans, as the case may be) of such new Lender and of the existing Lenders, (ii) new Notes will be issued, at the Borrower's expense, to such new Lender and to the assigning Lender upon the request of such new Lender or assigning Lender, such new Notes to be in conformity with the requirements of Section 2.05 (with appropriate modifications) to the extent needed to reflect the revised Commitments (and/or outstanding Loans, as the case may be), (iii) the consent of the Administrative Agent shall be required in connection with any assignment pursuant to preceding clause (y) (which consent shall not be unreasonably withheld or delayed and which shall be subject only to the Administrative Agent's receipt of satisfactory "know your customer" documentation on the transferee, and (iv) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Lender, the payment of a non-refundable assignment fee of $5,000. To the extent of any assignment pursuant to this Section 11.04(b), the assigning Lender shall be relieved of its obligations hereunder with respect to its assigned Commitments (it being understood that the indemnification provisions under this Agreement (including, without limitation, Sections 2.09, 2.10, 4.04, 11.01, 11.17 and 11.18) shall survive as to such assigning Lender with respect to matters occurring prior to the date such assigning Lender ceases to be a Lender). To the extent that an assignment of all or any portion of a Lender's Commitments and related outstanding Obligations pursuant to Section 2.12 or this Section 11.04(b) would, at the time of such assignment, result in increased costs under Section 2.09, 2.10 or 4.04 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from any Change in Law after the date of the respective assignment).

2. Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans and Notes hereunder to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank and, with the consent of the Administrative Agent, any Lender which is a fund may pledge all or any portion of its Notes or Loans to a trustee for the benefit of investors and in support of its obligation to such investors; provided, however, no such pledge shall release a Lender from any of its obligations hereunder or substitute any such pledgee for such Lender as a party hereto.

(e) No Waiver; Remedies Cumulative

. No failure or delay on the part of the Administrative Agent or any Lender or any holder of any Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower or any other Credit Party and the Administrative Agent or any Lender or the holder of any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Credit Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Administrative Agent or any Lender or the holder of any Note would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or any Lender or the holder of any Note to any other or further action in any circumstances without notice or demand.

(f) Payments Pro Rata

. (a) Except as otherwise provided in this Agreement, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations hereunder, it shall distribute such payment to the Lenders (other than any Lender that has consented in writing to waive its pro rata share of any such payment) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

1. Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans or Commitment Commission, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the respective Credit Party to such Lenders in such amount as shall result in a proportional participation by all the Lenders in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

2. Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 11.06(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

(g) Calculations; Computations

. (a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with generally accepted accounting principles in the United States consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrower to the Lenders). In addition, all computations determining compliance with the Financial Covenants shall utilize accounting principles and policies in conformity with those in effect on the Closing Date (with the foregoing generally accepted accounting principles, subject to the preceding proviso, herein called "GAAP"), subject, in the case of the unaudited financial statements, to normal year-end audit adjustments and the absence of footnotes. Unless otherwise noted, all references in this Agreement to "GAAP" shall mean generally accepted accounting principles as in effect in the United States.

1. All computations of interest for Loans, Commitment Commission and other Fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, Commitment Commission or Fees are payable.

(h) Agreement Binding

. The Borrower and each other Credit Party agree that they shall be bound by the terms of this Agreement and the obligations and covenants expressed to be binding on each of them under this Agreement even if the terms, covenants or obligations contained hereunder are inconsistent with, or less favorable to the Borrower or such Credit Party (as the case may be) than the Borrower's or such Credit Party's rights and obligations under any other document that they are a party to or are otherwise bound by, including without limitation, the Management Agreement, notwithstanding that the Lender Creditors are aware of or have been provided with such other document pursuant to this Agreement or otherwise.

(i) **GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL**

. (a) **THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL, EXCEPT AS OTHERWISE PROVIDED IN CERTAIN OF THE COLLATERAL VESSEL MORTGAGES AND OTHER SECURITY DOCUMENTS, BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL**

ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK LOCATED IN NEW YORK COUNTY IN THE CITY OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH OF THE PARTIES TO THIS AGREEMENT FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE BORROWER AT ITS ADDRESS SET FORTH ON SCHEDULE VII HERETO, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT UNDER THIS AGREEMENT, ANY LENDER OR THE HOLDER OF ANY NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY CREDIT PARTY IN ANY OTHER JURISDICTION. THE BORROWER HEREBY IRREVOCABLY DESIGNATES, APPOINTS, AUTHORIZES AND EMPOWERS SEWARD & KISSEL LLP, WITH OFFICES CURRENTLY LOCATED AT ONE BATTERY PARK PLAZA, NEW YORK, NEW YORK 10004, ATTENTION: MICHAEL TIMPONE, AS ITS DESIGNEE, APPOINTEE AND AGENT TO RECEIVE AND ACCEPT FOR AND ON ITS BEHALF, AND IN RESPECT OF ITS PROPERTY, SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING. IF FOR ANY REASON SUCH DESIGNEE, APPOINTEE AND AGENT SHALL CEASE TO BE AVAILABLE TO ACT AS SUCH, THE BORROWER AGREES TO DESIGNATE A NEW DESIGNEE, APPOINTEE AND AGENT IN NEW YORK, NEW YORK ON THE TERMS AND FOR THE PURPOSES OF THIS PROVISION SATISFACTORY TO THE ADMINISTRATIVE AGENT; PROVIDED THAT ANY FAILURE ON THE PART OF THE BORROWER TO COMPLY WITH THE FOREGOING PROVISIONS OF THIS SENTENCE SHALL NOT IN ANY WAY PREJUDICE OR LIMIT THE SERVICE OF PROCESS OR SUMMONS IN ANY OTHER MANNER DESCRIBED ABOVE IN THIS SECTION 11.09 OR OTHERWISE PERMITTED BY LAW.

1. **EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.**

2. **EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.**

(j) Counterparts

. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original (including

if delivered by e-mail or facsimile transmission), but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

(k) Effectiveness

. This Agreement shall become effective on the date (the "Closing Date") on which the conditions set forth in Section 5.01 shall have been satisfied or waived by the Administrative Agent.

(l) Headings Descriptive

. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

(m) Amendment or Waiver; etc.

(a) Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Lenders, provided that no such change, waiver, discharge or termination shall, without the consent of all Lenders (other than a Defaulting Lender) (it being understood that the Administrative Agent may effect, on behalf of any Lender, any amendment or waiver permitted by hereunder) directly and negatively affected,

a. extend the final scheduled maturity of any Loan or Note, extend the timing for or reduce the principal amount of any Scheduled Term Amortization Payment Amounts (or any definition used therein to the extent used therein), or reduce the rate or reduce or extend the time of payment of interest on any Loan or Note or Commitment Commission (except (x) in connection with the waiver of applicability of any post-default increase in interest rates and (y) any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in the rate of interest for purposes of this clause (i)), or reduce the principal amount thereof (except to the extent repaid in cash),

b. release any of the Collateral (except as expressly provided in the Credit Documents),

c. amend, modify or waive any provision of this Section 11.13 or of any other Section that expressly requires the consent of all the Lenders to do so,

d. reduce the percentage specified in the definition of Required Lenders (it being understood that, with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as the extensions of Loans and Commitments are included on the Closing Date),

e. consent to the assignment or transfer by the Borrower or any Subsidiary Guarantor of any of its respective rights and obligations under this Agreement,

f. substitute or replace the Borrower or any Subsidiary Guarantor or release any Subsidiary Guarantor from the Subsidiaries Guaranty, and

g. amend, modify or waive Section 2.06;

provided, further, that no such change, waiver, discharge or termination shall (A) increase or extend the Commitments of any Lender over the amount thereof then in effect without the consent of such Lender (it being understood that waivers or modifications of Section 2.01, conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender shall not constitute an increase in the Commitment of such Lender), (B) without the consent of each Agent, amend, modify or waive any provision of Section 10 as same applies to such Agent or any other provision

as same relates to the rights or obligations of such Agent or (C) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent.

(b) If, in connection with any proposed change, waiver, discharge or termination to any of the provisions of this Agreement as contemplated by clauses (i) through (vi), inclusive, of the first proviso to Section 11.13(a), the consent of the Required Lenders is obtained but the consent of one or more of such other Lenders whose consent is required (any such Lender, a "Non-Consenting Lender") is not obtained, then the Borrower shall have the right, so long as all Non-Consenting Lenders whose individual consent is required are treated as described in either clauses (i) or (ii) below, to either (i) replace each such Non-Consenting Lender (or, at the option of the Borrower if the respective Non-Consenting Lender's consent is required with respect to less than all Loans (or related Commitments) of such Non-Consenting Lender, to replace only the respective Commitments and/or Loans of the respective Non-Consenting Lender which gave rise to the need to obtain such Non-Consenting Lender's individual consent) with one or more Replacement Lenders pursuant to Section 2.12 so long as at the time of such replacement, each such Replacement Lender consents to the proposed change, waiver, discharge or termination or (ii) terminate such Non-Consenting Lender's Commitment (if such Non-Consenting Lender's consent is required as a result of its Commitment), and/or repay the outstanding Loans and terminate any outstanding Commitments of such Non-Consenting Lender which gave rise to the need to obtain such Non-Consenting Lender's consent, in accordance with Sections 3.02(b) and/or 4.01(a), provided that, unless the Commitments that are terminated and/or the Loans that are repaid pursuant to preceding clause (ii) are immediately replaced in full at such time through the addition of new Lenders or the increase of the Commitments and/or the outstanding Loans of existing Lenders (who in each case must specifically consent thereto), then in the case of any action pursuant to preceding clause (ii) the Required Lenders (determined before giving effect to the proposed action) shall specifically consent thereto, provided, further, that in any event the Borrower shall not have the right to replace a Lender, terminate such Lender's Commitment or repay such Lender's Loan solely as a result of the exercise of such Lender's rights (and the withholding of any required consent by such Lender) pursuant to the second proviso to Section 11.13(a), provided, further that such Replacement Lender shall be a bank or financial institution.

(c) The Administrative Agent and the Borrower may amend any Credit Document to correct administrative errors or omissions, or to effect administrative changes that are not adverse to any Lender. Notwithstanding anything to the contrary contained herein, such amendment shall become effective without any further consent of any other party to such Credit Document.

(n) Survival

. All indemnities set forth herein including, without limitation, in Sections 2.09, 2.10, 4.04, 11.01, 11.17 and 11.18 shall survive the execution, delivery and termination of this Agreement and the Notes and the making and repayment of the Loans.

(o) Domicile of Loans

. Each Lender may transfer and carry its pro rata portion of the Loans at, to or for the account of any office, Subsidiary or Affiliate of such Lender. Notwithstanding anything to the contrary contained herein, to the extent that a transfer of Loans pursuant to this Section 11.15 would, at the time of such transfer, result in increased costs under Section 2.09, 2.10 or 4.04 from those being charged by the respective Lender prior to such transfer, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective transfer).

(p) Confidentiality

. (a) Subject to the provisions of clause (b) of this Section 11.16, each Lender agrees that it will not disclose without the prior consent of the Borrower (other than to its employees, auditors, advisors

or counsel or to another Lender if the Lender or such Lender's holding or parent company or board of trustees in its sole discretion determines that any such party should have access to such information, provided such Persons shall be subject to the provisions of this Section 11.16 to the same extent as such Lender) any information with respect to the Borrower or any of its Subsidiaries which is now or in the future furnished pursuant to this Agreement or any other Credit Document, provided that any Lender may disclose any such information (i) as has become generally available to the public other than by virtue of a breach of this Section 11.16(a) by the respective Lender, (ii) as may be required in any report, statement or testimony submitted to any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Lender or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (iii) as may be required in respect to any summons or subpoena or in connection with any litigation, (iv) in order to comply with any law, order, regulation or ruling applicable to such Lender, (v) to the Administrative Agent or the Collateral Agent, (vi) to any auditor or professional financial or legal advisor of such Lender employed in the normal course of its business, (vii) to any branch, Affiliate or Subsidiary of such Lender or to the parent company, head office or regional office of such Lender in connection with the transactions contemplated herein and (viii) to any prospective or actual transferee or participant in connection with any contemplated transfer or participation of any of the Notes or Commitments or any interest therein by such Lender (it being understood that for the purpose of this clause (viii), other than during the continuance of an Event of Default, the Lender shall use commercially reasonable efforts to apprise the Borrower of the potential transferee), provided that such prospective transferee expressly agrees to execute and does execute (including by way of customary "click through" arrangements) a confidentiality agreement and be bound by the confidentiality provisions contained in this Section 11.16.

1. The Borrower hereby acknowledges and agrees that each Lender may share with any of its affiliates any information related to the Borrower or any of its Subsidiaries (including, without limitation, any nonpublic customer information regarding the creditworthiness of the Borrower or its Subsidiaries), provided such Persons shall be subject to the provisions of this Section 11.16 to the same extent as such Lender.

(q) Register

. The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 11.17, to maintain a register (the "Register") on which it will record the Commitments from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment and prepayment in respect of the principal amount of the Loans of each Lender. Failure to make any such recordation, or any error in such recordation shall not affect the Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitments shall not be effective until such transfer is recorded on the Register maintained by the Administrative Agent with respect to ownership of such Commitments and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitments and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitments and Loans shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 11.04(b). Coincident with the delivery of such an Assignment and Assumption Agreement to the Administrative Agent for acceptance and registration of assignment or transfer of all or part of a Loan, or as soon thereafter as practicable, the assigning or transferor Lender shall surrender the Note evidencing such Loan, and thereupon one or more new Notes in the same aggregate principal amount shall be issued to the assigning or transferor Lender and/or the new Lender. The Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 11.17, except to the extent caused by the Administrative Agent's own gross negligence, willful misconduct or unlawful acts.

(r) Judgment Currency

. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from the Borrower hereunder or under any of the Notes in the currency expressed to be payable herein or under the Notes (the "specified currency") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent's New York office on the Business Day preceding that on which final judgment is given. The obligations of the Borrower in respect of any sum due to any Lender or the Administrative Agent hereunder or under any Note shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such other currency, such Lender or the Administrative Agent (as the case may be) may in accordance with normal banking procedures purchase the specified currency with such other currency; if the amount of the specified currency so purchased is less than the sum originally due to such Lender or the Administrative Agent, as the case may be, in the specified currency, the Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Administrative Agent, as the case may be, against such loss, and if the amount of the specified currency so purchased exceeds the sum originally due to any Lender or the Administrative Agent, as the case may be, in the specified currency, such Lender or the Administrative Agent, as the case may be, agrees to remit such excess to the Borrower.

(s) Language

. All correspondence, including, without limitation, all notices, reports and/or certificates, delivered by any Credit Party to the Administrative Agent, the Collateral Agent or any Lender shall, unless otherwise agreed by the respective recipients thereof, be submitted in the English language or, to the extent the original of such document is not in the English language, such document shall be delivered with a certified English translation thereof.

(t) Waiver of Immunity

. The Borrower, in respect of itself, each other Credit Party, its and their process agents, and its and their properties and revenues, hereby irrevocably agrees that, to the extent that the Borrower, any other Credit Party or any of its or their properties has or may hereafter acquire any right of immunity from any legal proceedings, whether in the United States, any Acceptable Flag Jurisdiction or elsewhere, to enforce or collect upon the Obligations of the Borrower or any other Credit Party related to or arising from the transactions contemplated by any of the Credit Documents, including, without limitation, immunity from service of process, immunity from jurisdiction or judgment of any court or tribunal, immunity from execution of a judgment, and immunity of any of its property from attachment prior to any entry of judgment, or from attachment in aid of execution upon a judgment, the Borrower, for itself and on behalf of the other Credit Parties, hereby expressly waives, to the fullest extent permissible under applicable law, any such immunity, and agrees not to assert any such right or claim in any such proceeding, whether in the United States, any Acceptable Flag Jurisdiction or elsewhere.

(u) USA PATRIOT Act Notice

. Each Lender hereby notifies each Credit Party that pursuant to the requirements of the USA Patriot Act (Title III of Pub.: 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify, and record information that identifies each Credit Party, which information includes the name of each Credit Party and other "know your customer" information that will allow such Lender to identify each Credit Party in accordance with the Patriot Act and anti-money laundering rules and regulations, and each Credit Party agrees to provide such information from time to time to any Lender.

(v) Severability

. If any provisions of this Agreement or the other Credit Documents is held to be illegal, invalid or unenforceable: (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Credit Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions; provided that the Lenders shall charge no fee in connection with any such amendment. The invalidity of a provision in a particular jurisdiction shall not invalid or render unenforceable such provision in any other jurisdiction.

(w) Flag Jurisdiction Transfer

. In the event that the Borrower desires to implement a Flag Jurisdiction Transfer with respect to a Collateral Vessel, upon receipt of reasonable advance notice thereof from the Borrower, the Collateral Agent shall use commercially reasonably efforts to provide, or (as necessary) procure the provision of, all such reasonable assistance as any Credit Party may request from time to time in relation to (i) the Flag Jurisdiction Transfer, (ii) the related deregistration of the relevant Collateral Vessel from its previous flag jurisdiction, and (iii) the release and discharge of the related Security Documents; provided that the relevant Credit Party shall pay all documented out of pocket costs and expenses reasonably incurred by the Collateral Agent in connection with provision of such assistance. Each Lender hereby consents in connection with any Flag Jurisdiction Transfer and subject to the satisfaction of the requirements thereof to be satisfied by the relevant Credit Party, to (x) deregister such Collateral Vessel from its previous flag jurisdiction and (y) release and hereby direct the Collateral Agent to release the relevant Collateral Vessel Mortgage. Each Lender hereby directs the Collateral Agent, and the Collateral Agent agrees to execute and deliver or, at the Borrower's expense, file such documents and perform other actions reasonably necessary to release the relevant Collateral Vessel Mortgages when and as directed pursuant to this Section 11.23.

(x) Parallel Liability

. The following definitions shall have the meaning assigned in this clause:

"Corresponding Liabilities" shall mean all present and future liabilities and contractual and non-contractual obligations of each Credit Party under or in connection with this Agreement and the other Credit Documents, but excluding its Parallel Liability.

"Parallel Liability" shall mean the Borrower's undertaking pursuant to this Section 11.24.

1. The Borrower irrevocably and unconditionally undertakes to pay to the Collateral Agent an amount equal to the aggregate amount of its Corresponding Liabilities (as these may exist from time to time).
2. The Credit Parties agree that:
   a. the Borrower's Parallel Liability is due and payable at the same time as, for the same amount of and in the same currency as its Corresponding Liabilities;
   b. the Borrower's Parallel Liability is decreased to the extent that its Corresponding Liabilities have been irrevocably paid or discharged and its Corresponding Liabilities are decreased to the extent that its Parallel Liability has been irrevocably paid or discharged;
   c. the Borrower's Parallel Liability is independent and separate from, and without prejudice to, its Corresponding Liabilities, and constitutes a single obligation of that Borrower to the Collateral Agent (even though that Borrower may owe more than one Corresponding Liability to the Lenders under the Credit Documents) and an independent and separate claim of the Collateral Agent to receive payment of that Parallel Liability (in its

capacity as the independent and separate creditor of that Parallel Liability and not as a co-creditor in respect of the Corresponding Liabilities); and

3. for purposes of this Section 11.24, the Collateral Agent acts in its own name and not as agent, representative or trustee of the Lenders and accordingly holds neither its claim resulting from a Parallel Liability nor any Lien securing a Parallel Liability on trust.

* * *

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

SCORPIO BULKERS INC., as the Borrower

By: /s/ Hugh Baker

Name: Hugh Baker

Title: Chief Financial Officer

ABN AMRO BANK N.V., individually, as Administrative Agent, Joint Bookrunner, Lead Arranger and Collateral Agent

By: /s/ D.N. de Baan

Name: D.N. de Baan as Administrative Agent/ Collateral Agent

Title: Proxy Holder

By: /s/ M.G. Meijer

Name: M.G. Meijer

Title: Proxy Holder

ABN AMRO BANK N.V., as a Lender

By: /s/ J.A Maarleveld

Name: J.A Maarleveld

Title: Director

By: /s/ P.R. Vogelzang

Name: P.R. Vogelzang

Title: MD

Title: SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), individually, as Joint Bookrunner and Lead Arranger

By: /s/ Per Lindblad

Name: Per Lindblad

Title:

By: /s/ Olof Kajerdt

Name: Olof Kajerdt

Title: SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), individually, as Lender

By: /s/ Per Lindblad

Name: Per Lindblad

Title:

By: /s/ Olof Kajerdt

Name: Olof Kajerdt

SCHEDULE I

COMMITMENTS

Lender	Commitments
ABN AMRO Bank N.V.	$42,750,000.00
Skandinaviska Enskilda Banken AB (publ)	$42,750,000.00
	Total $85,500,000.00

SCHEDULE II

LENDER ADDRESSES

INSTITUTIONS	ADDRESSES
ABN AMRO BANK N.V.	Global Transportation & Logistics, Coolsingel 93, 3012 AE Rotterdam, The Netherlands PAC GL 1610 Telephone: +31104024189 Email: jurjen.maarleveld@nl.abnamro.com, jesse.van.schaik@nl.abnamro.com
SKANDINAVISKA ENSKILDA BANKEN AB (publ)	Kungsträdgårdsgatan 8 SE-106 40 Stockholm Sweden Attn: Karl Nylander Telephone: +46 763 87 55 Email: karl.nylander@seb.se

Schedule III

SUBSIDIARIES

NAME OF SUBSIDIARY	DIRECT OWNER	OWNERSHIP PERCENTAGE (DIRECT OR INDIRECT) BY BORROWER
SBI Achilles Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Alhambra Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Antares Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Apollo Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Aries Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Athena Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Avanti Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Bolero Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Bravo Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Cakewalk Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Camacho Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Capoeira Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Carioca Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Charleston Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Chartering and Trading Ltd	Scorpio Bulkers Inc.	100%
SBI Conga Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Cougar Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Cronos Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Echo Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Electra Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Flamenco Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Gemini Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Hera Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Hercules Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Hermes Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Hydra Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Hyperion Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Jaguar Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Jive Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Lambada Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Leo Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Libra Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Lynx Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Lyra Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Macarena Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Magnum Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Maia Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Mazurka Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Montesino Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Orion Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Parapara Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Pegasus Shipping Company Limited	Scorpio Bulkers Inc.	100%

SBI Perseus Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Phoebe Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Phoenix Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Pisces Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Poseidon Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Puma Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Puro Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Reggae Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Rock Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Rumba Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Samba Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Samson Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Sousta Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Subaru Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Swing Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Tango Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Taurus Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Tethys Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Thalia Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Twist Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Ursa Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Valrico Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Virgo Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Zeus Shipping Company Limited	Scorpio Bulkers Inc.	100%
SBI Zumba Shipping Company Limited	Scorpio Bulkers Inc.	100%
Scorpio SALT LLC	Scorpio Bulkers Inc.	100%
Bedford Shipping Limited	SBI Sousta Shipping Company Limited	100%
Belgrave Shipping Limited	SBI Zumba Shipping Company Limited	100%
Cavendish Shipping Limited	SBI Conga Shipping Company Limited	100%
Fitzroy Shipping Limited	SBI Bolero Shipping Company Limited	100%
Grosvenor Shipping Limited	SBI Parapara Shipping Company Limited	100%
Sloane Shipping Limited	SBI Reggae Shipping Company Limited	100%
St. James's Shipping Limited	SBI Mazurka Shipping Company Limited	100%
OPT Value Acq 1 Limited	Scorpio Bulkers Inc.	100%
OPT Value Acq 2 Limited	Scorpio Bulkers Inc.	100%
OPT Value Acq 3 Limited	Scorpio Bulkers Inc.	100%
OPT Value Acq 4 Limited	Scorpio Bulkers Inc.	100%

SCHEDULE IV-A

REQUIRED INSURANCE

Insurance to be maintained on the Collateral Vessel:

(a) The Borrower and applicable Subsidiary Guarantor shall keep the Collateral Vessel insured with insurers and protection and indemnity clubs or associations of internationally recognized reputation, and placed in such markets, on such terms and conditions, and through brokers, reasonably satisfactory to the Collateral Agent (it being understood that AON and Marsh are satisfactory) and under forms of policies approved by the Collateral Agent against the risks indicated below and such other risks as the Collateral Agent may reasonably specify from time to time; however, in no case shall the Collateral Agent specify insurance in excess of the customary insurances purchased by first-class owners of comparable vessels:

(i) Marine and war risk, including terrorism, confiscation, London Blocking and Trapping Addendum and Missing Collateral Vessel Clause, hull and machinery insurance, hull interest insurance and freight interest insurance, together in an amount in U.S. dollars at all times equal to or greater than the greater of (x) its Appraised Value and (y) an amount which, when aggregated with such amounts for all Collateral Vessels shall be equal to or greater than 120% of the Loans and Commitments under the Credit Facility. The insured value for hull and machinery required under this clause (i) for the Collateral Vessel shall at all times be in an amount equal to or greater than (x) eighty per cent (80%) of the Appraised Value of the Collateral Vessel and (y) an amount which, when aggregated with the hull and machinery insured value of the other Collateral Vessels then subject to a Collateral Vessel Mortgage, is equal to the aggregate principal amount of the Loan and the Commitments outstanding, and the remaining marine and war risk insurance required by this clause (i) may be taken out as hull and freight interest insurance.

(ii) Marine and war risk protection and indemnity insurance or equivalent insurance (including coverage against liability for crew, fines and penalties arising out of the operation of the Collateral Vessel, insurance against liability arising out of pollution, spillage or leakage, and workmen's compensation or longshoremen's and harbor workers' insurance as shall be required by applicable law) in such amounts approved by the Collateral Agent; provided, however, that insurance against liability under law or international convention arising out of pollution, spillage or leakage shall be in an amount not less than the greater of:

(y) the maximum amount reasonably available from the International Group of Protection and Indemnity Associations (the "International Group") or alternatively such sources of pollution, spillage or leakage coverage as are commercially available in any absence of such coverage by the International Group as shall be carried by prudent shipowners engaged in similar trades; and

(z) the amounts required by the laws or regulations of the United States of America or any applicable jurisdiction in which the Collateral Vessel may be trading from time to time.

(iii) Mortgagee's interest insurance on such conditions as the Collateral Agent may reasonably require and mortgagee's interest insurance for pollution risks as from time to time agreed, satisfactory to the Collateral Agent and for an amount in U.S. dollars approved by the Collateral Agent but not being less than 120% of the sum of the aggregate principal amount of Commitments outstanding pursuant to the Credit Agreement, the Borrower and the Collateral Vessel Owner having no interest or entitlement in respect of such policies; all such mortgagee's interest insurance cover

shall be obtained directly by the Collateral Agent and the Collateral Agent undertakes to use its best endeavors to match the premium level that the Borrower would have paid if they had arranged such cover on such conditions (as demonstrated by the reasonable satisfaction of the Collateral Agent), provided that in no event shall the Borrower be required to reimburse the Collateral Agent for any such costs in excess of the premium level then available to the Collateral Agent in the market.

(iv) While the Collateral Vessel is idle or laid up, at the option of the Borrower and in lieu of the above-mentioned marine and war risk hull insurance, port risk insurance insuring the Collateral Vessel against the usual risks encountered by like vessels under similar circumstances.

(b) The marine and commercial war-risk insurance required in this Schedule IV-A for the Collateral Vessel shall have deductibles and franchises in amounts reasonably satisfactory to the Collateral Agent.

All insurance maintained hereunder shall be primary insurance without right of contribution against any other insurance maintained by the Collateral Agent. The policy of marine and war risk hull and machinery insurance with respect to the Collateral Vessel shall, if so requested by the Collateral Agent, provide that the Collateral Agent shall be a named insured in its capacity as mortgagee and as loss payee. The entry in a marine and war risk protection indemnity club with respect to the Collateral Vessel shall note the interest of the Collateral Agent. The Administrative Agent, the Collateral Agent and each of their respective successors and assigns shall not be responsible for any premiums, club calls, assessments or any other obligations or for the representations and warranties made therein by the Borrower, any of the Borrower's Subsidiaries or any other Person. In addition, the Borrower shall reimburse the Administrative Agent for the commercially reasonable cost of Mortgagees Interest Insurance and MAPP covering at least the full amount outstanding under the Credit Facility, which the Administrative Agent will take out on the Collateral Vessel upon such terms and in such amounts as the Administrative Agent shall deem appropriate.

(c) The Collateral Agent shall from time to time obtain a detailed report signed by a firm of marine insurance brokers acceptable to the Collateral Agent with respect to P & I entry, the hull and machinery and war risk insurance carried and maintained on the Collateral Vessel, together with their opinion as to the adequacy thereof and its compliance with the provisions of this Schedule IV. At the Borrower's expense, the Borrower will instruct its insurance broker (which, for the avoidance of doubt shall be a different insurance broker from the firm of marine insurance brokers referred to in the immediately preceding sentence) and the P & I club or association providing P & I insurance referred to in part (a)(ii) of this Schedule IV, to agree to advise the Collateral Agent by electronic mail of any expiration, termination, alteration or cancellation of any policy, any default in the payment of any premium and of any other act or omission on the part of the Borrower of which the Borrower has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Collateral Vessel, and to provide an opportunity of paying any such unpaid premium or call, such right being exercisable by the Collateral Agent on the Collateral Vessel on an individual and not on a fleet basis. In addition, the Borrower shall promptly provide the Collateral Agent with any information which the Collateral Agent reasonably requests for the purpose of obtaining or preparing any report from the Collateral Agent's independent marine insurance consultant as to the adequacy of the insurances effected or proposed to be effected in accordance with this Schedule IV-A as of the date hereof or in connection with any renewal thereof, and the Borrower shall upon demand indemnify the Collateral Agent in respect of all reasonable fees and other expenses incurred by or for the account of the Collateral Agent in connection with any such report, provided that the Collateral Agent shall be entitled to such indemnity only for one such report during a period of twelve months.

The underwriters or brokers shall furnish the Collateral Agent with a letter or letters of undertaking to the effect that:

a. they will hold the instruments of insurance, and the benefit of the insurances thereunder, to the order of the Collateral Agent in accordance with the terms of the loss payable clause referred to in the General Assignment Agreement for the Collateral Vessel;

b. they will have endorsed on each and every policy as and when the same is issued the loss payable clause, to be in the excess of $5 million, and the notice of assignment referred to in the General Assignment Agreement for the Collateral Vessel; and

c. they will not set off against any sum recoverable in respect of a claim against any Collateral Vessel under the said underwriters or brokers or any other Person in respect of any other vessel nor cancel the said insurances by reason of non-payment of such premiums or other amounts.

All policies of insurance required hereby shall provide for not less than 14 days prior written notice (seven days in respect of war risks) to be received by the Collateral Agent of the termination or cancellation of the insurance evidenced thereby. All policies of insurance maintained pursuant to this Schedule IV-A for risks covered by insurance other than that provided by a P & I Club shall contain provisions waiving underwriters' rights of subrogation thereunder against any assured named in such policy and any assignee of said assured, only to the extent such underwriters agree to so waive rights of subrogation (provided that it is understood and agreed that the Borrower shall use commercially reasonable efforts to obtain such waivers). The Borrower shall assign to the Collateral Agent its full rights under any policies of insurance in respect of the Collateral Vessel in accordance with the terms contained herein (and, for the avoidance of doubt, such assignments shall include any additional value of any insurance that exceeds the values expressly required herein in respect of the Collateral Vessel). The Borrower agrees that it shall deliver unless the insurances by their terms provide that they cannot cease (by reason of nonrenewal or otherwise) without the Collateral Agent being informed and having the right to continue the insurance by paying any premiums not paid by the Borrower, receipts showing payment of premiums for Required Insurance and also of demands from the Collateral Vessel's P & I underwriters to the Collateral Agent at least two (2) days before the risk in question commences.

(d) Unless the Collateral Agent shall otherwise agree, all amounts of whatsoever nature payable under any insurance must be payable to the Collateral Agent for distribution first to itself and thereafter to the Borrower or others as their interests may appear, provided that, notwithstanding anything to the contrary herein, until otherwise required by the Collateral Agent by notice to the underwriters upon the occurrence and continuance of an Event of Default hereunder, (i) amounts payable under any insurance on the Collateral Vessel with respect to protection and indemnity risks may be paid directly to (x) the Borrower to reimburse it for any loss, damage or expense incurred by it and covered by such insurance or (y) the Person to whom any liability covered by such insurance has been incurred, and (ii) amounts payable under any insurance with respect to the Collateral Vessel involving any damage to the Collateral Vessel not constituting an Event of Loss, may be paid by underwriters directly for the repair, salvage or other charges involved or, if the Borrower shall have first fully repaired the damage or paid all of the salvage or other charges, may be paid to the Borrower as reimbursement therefor; provided, however, that if such amounts (including any franchise or deductible) are in excess of U.S. $5,000,000, the underwriters shall not make such payment without first obtaining the written consent thereto of the Collateral Agent and the loss payable clauses pertaining to such insurances shall be endorsed to that effect.

(e) All amounts paid to the Collateral Agent in respect of any insurance on the Collateral Vessel shall be disposed of as follows (after deduction of the expenses of the Collateral Agent in collecting such amounts):

(i) any amount which might have been paid at the time, in accordance with the provisions of paragraph (d) above, directly to the Borrower or others shall be paid by the Collateral Agent to, or as directed by, the Borrower;

(ii) all amounts paid to the Collateral Agent in respect of an Event of Loss of the Collateral Vessel shall be applied by the Collateral Agent to the payment of the Financial Indebtedness hereby secured pursuant to Section 4.02(c) of the Credit Agreement; and

(iii) all other amounts paid to the Collateral Agent in respect of any insurance on the Collateral Vessel may, in the Collateral Agent's sole discretion, be held and applied to the prepayment of the Obligations or to making of needed repairs or other work on the Collateral Vessel, or to the payment of other claims incurred by the Borrower relating to the Collateral Vessel, or may be paid to the Borrower or whosoever may be entitled thereto.

(f) In the event that any claim or lien is asserted against the Collateral Vessel for loss, damage or expense which is covered by insurance required hereunder and it is necessary for the Borrower to obtain a bond or supply other security to prevent arrest of the Collateral Vessel or to release the Collateral Vessel from arrest on account of such claim or lien, the Collateral Agent, on request of the Borrower, may, in the sole discretion of the Collateral Agent, assign to any Person, firm or corporation executing a surety or guarantee bond or other agreement to save or release the Collateral Vessel from such arrest, all right, title and interest of the Collateral Agent in and to said insurance covering said loss, damage or expense, as collateral security to indemnify against liability under said bond or other agreement.

(g) The Borrower shall deliver to the Collateral Agent certified copies and, whenever so reasonably requested by the Collateral Agent, if available to the Borrower, the originals of all certificates of entry, cover notes, binders, evidences of insurance and policies and all endorsements and riders amendatory thereof in respect of insurance maintained pursuant to Section 7.03 of the Credit Agreement and this Schedule IV-A for the purpose of inspection or safekeeping, or, alternatively, satisfactory letters of undertaking from the broker holding the same. The Collateral Agent shall be under no duty or obligation to verify the adequacy or existence of any such insurance or any such policies, endorsement or riders.

(h) The Borrower will not execute or permit or willingly allow to be done any act by which any insurance may be suspended, impaired or cancelled, and that it will not permit or allow the Collateral Vessel to undertake any voyage or run any risk or transport any cargo which may not be permitted by the policies in force, without having previously notified the Collateral Agent in writing and insured the Collateral Vessel by additional coverage to extend to such voyages, risks, passengers or cargoes.

(i) In case any underwriter proposes to pay less on any claim than the amount thereof, the Borrower shall forthwith inform the Collateral Agent, and if a Default, Event of Default or an Event of Loss has occurred and is continuing, the Collateral Agent shall have the exclusive right to negotiate and agree to any compromise.

(j) The Borrower will comply with and satisfy all of the provisions of any applicable law, convention, regulation, proclamation or order concerning financial responsibility for liabilities imposed on the Borrower or the Collateral Vessel with respect to pollution by any state or nation or political subdivision thereof and will maintain all certificates or other evidence of financial responsibility as may be required by any such law, convention, regulation, proclamation or order with respect to the trade in which the Collateral Vessel are from time to time engaged and the cargo carried by it.

Schedule IV-B

VESSEL INSURANCE

Insured Vessel	Insured Party	Type of Insurance	Deductibles	Limits of Cover	Provider
SBI Gemini	SBI Gemini Shipping Company Limited (Registered Owner)	P&I	USD10K	As per Rules	Steamship
SBI Gemini	Scorpio Ship Management S.A.M. (Ship Manager)	FD&D	USD5K with 1/3rd contribution for further expenses max up to USD30K	As per Rules	Steamship
SBI Gemini	SBI Gemini Shipping Company Limited (Owner)	H&M	USD100K	As per Cover	Swiss Re International SE (leader)
SBI Gemini	Scorpio Ship Management S.A.M.	IV	NIL	As per Cover	Swiss Re International SE (leader)
SBI Gemini	Scorpio Commercial Management S.A.M.	War	NIL	As per Cover	Swiss Re International SE (leader)
SBI Gemini	Scorpio Marine Management (India) Pvt Ltd	War LOH	120 hours	As per Cover	Swiss Re International SE (leader)
SBI Libra	SBI Libra Shipping Company Limited (Registered Owner)	P&I	USD10K	As per Rules	Britannia
SBI Libra	Scorpio Ship Management S.A.M. (Ship Manager)	FD&D	1/3rd of the excess of $5k	As per Rules	Britannia
SBI Libra	SBI Libra Shipping Company Limited (Owner)	H&M	USD100K	As per Cover	Swiss Re International SE (leader)
SBI Libra	Scorpio Ship Management S.A.M.	IV	NIL	As per Cover	Swiss Re International SE (leader)
SBI Libra	Scorpio Commercial Management S.A.M.	War	NIL	As per Cover	Swiss Re International SE (leader)
SBI Libra	Scorpio Marine Management (India) Pvt Ltd	War LOH	120 hours	As per Cover	Swiss Re International SE (leader)

SCHEDULE V

ERISA

None.

A. Collateral Vessels[1]

Vessel Name	Registered Owner	Type	Flag	DWT	Builder's Hull Number	Estimated Delivery Date	Maximum Loan Amount
SBI Aries		Ultramax		63,600			$13,620,000
SBI Gemini		Ultramax		63,700			$13,620,000
SBI Pisces		Ultramax		63,700			$14,400,000
SBI Libra		Ultramax		63,700			$15,120,000
SBI Taurus		Ultramax		63,700			$13,620,000
SBI Virgo		Ultramax		63,600			$15,120,000
	Total			382,000			$85,500,000

Schedule VII

NOTICE ADDRESSES

If to any Credit Party, to:

Scorpio Bulkers Inc.
9, Boulevard Charles III
Monaco 98000
Attention: General Counsel
Facsimile: +377 97 77 8346
Email: legal@scorpiogroup.net

with copies to:
150 E. 58th Street
New York, New York 10155
Attention: Chief Financial Officer
Facsimile: +1 212-542-1618
Email: hbaker@scorpiogroup.net

SCHEDULE VIII

SCHEDULED TERM AMORTIZATION PAYMENTS[2]

[2] To be inserted on initial borrowing Date.

EXECUTION VERSION

Dated __13____December 2017

SBI COUGAR SHIPPING COMPANY LIMITED
SBI JAGUAR SHIPPING COMPANY LIMITED
and
SBI PUMA SHIPPING COMPANY LIMITED
as joint and several Borrowers

- and -

The Banks and financial institutions
listed in Schedule 1
as Lenders

- and -

The Banks and financial institutions
listed in Schedule 2
as Swap Banks

- and -

NIBC BANK N.V.
as Mandated Lead Arranger, Agent
and as Security Trustee

_____

Loan Agreement

_____

relating to

a term loan facility up to $38,700,000 to finance

the acquisition of m.v.s. "SBI COUGAR", "SBI JAGUAR" AND "SBI PUMA"

Index

ClausePage

THIS AGREEMENT is made on ____13____December **2017**

Parties

(1) **SBI COUGAR SHIPPING COMPANY LIMITED**, a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands ("**Borrower A**")

(2) **SBI JAGUAR SHIPPING COMPANY LIMITED**, a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands ("**Borrower B**")

(3) **SBI PUMA SHIPPING COMPANY LIMITED**, a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands ("**Borrower C**")

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

(5) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 2, as **Swap Banks**;

(6) **NIBC BANK N.V.**, as **Mandated Lead Arranger**;

(7) **NIBC BANK N.V.**, as **Agent**; and

(8) **NIBC BANK N.V.**, as **Security Trustee**.

BACKGROUND

(A) The Lenders have agreed to make available to the Borrowers a facility of up to $38,700,000 in three tranches:
- (i) for the purpose of Borrower A financing up to 60 per cent. of the Fair Market Value of Ship A;
- (ii) for the purpose of Borrower B financing up to 60 per cent. of the Fair Market Value of Ship B; and
- (iii) for the purpose of Borrower C financing up to 60 per cent. of the Fair Market Value of Ship C.

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

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

IT IS AGREED as follows:

1 **INTERPRETATION**

1.2 **Definitions.** Subject to Clause 1.5, in this Agreement:

"**Account Security Deed**" means, in respect of each Earnings Account, a deed creating security in respect of that Earnings Account in the Agreed Form;

"**Account Bank**" means, in relation to each Earnings Account, ABN AMRO Bank N.V., Rotterdam or a recognised international bank or financial institution proposed by the Borrowers and which the Agent may, with the authorisation of the Majority Lenders, approve from time to time as the account bank with which such Earnings Account shall be held;

"**Accounting Information**" means the annual audited consolidated accounts of the Guarantor or the quarterly unaudited consolidated accounts of the Guarantor, in each case, delivered to the Agent in accordance with Clause 11.6;

"**Accounting Period**" means each consecutive quarterly period during the Security Period ending on 31 March, 30 June, 30 September and 31 December of each financial year of the Guarantor.

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

"**Affiliate**" means, as to any person, any other person that, directly or indirectly, controls, is controlled by or is under common control with such person or is a director or officer of such person, and for the purposes of this definition, the term "**control**" (including the terms "**controlling**", "**controlled by**" and "**under common control with**") of a person means the possession, direct or indirect, of the power to vote 20% or more of the Voting Stock of such person or to direct or cause direction of the management and policies of such person, whether through the ownership of Voting Stock, by contract or otherwise;

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

"**Agent**" means NIBC Bank N.V., acting in its capacity as agent for the Lenders and the Swap Banks through its office at 4 Carnegieplein, 2517 KJ, The Hague, The Netherlands and includes its successor appointed under clause 5 of the Agency and Trust Deed and any transferee or assign;

"**Agreed Form**" means in relation to any document, that document in the form approved in writing by the Agent (acting on the instructions of all of the Lenders), or as otherwise approved in accordance with any other approval procedure specified in any relevant provision of any Finance Document;

"**Approved Broker**" means any of the companies listed in Schedule 7 or such other company proposed by the Borrowers which the Agent may (acting on the instructions of the Majority Lenders) approve in writing from time to time to act as an "**Approved Broker**" under this Agreement;

"**Approved Classification Society**" means, in relation to a Ship, Lloyds Register, DNV-GL, ABS, Bureau Veritas or any other generally recognised first class classification society that is a member of IACS that the Agent may (acting on the authorisation of the Majority Lenders), approve in writing from time to time as the "**Approved Classification Society**" of that Ship for the purposes of this Agreement;

"**Approved Commercial Ship Manager**" means, in relation to a Ship:

(a) Scorpio Commercial Management S.A.M. of 9, Boulevard Charles III, Monte Carlo, the Principality of Monaco or any of its Affiliates or subsidiaries or any Affiliate or subsidiary of the Guarantor; or

(b) any other company proposed by the Borrowers and/or the Guarantor which the Agent may (acting on the instructions of all the Lenders such instructions not to be unreasonably withheld or delayed), approve from time to time as the commercial manager of that Ship;

"**Approved Flag**" means, in relation to a Ship, the Republic of the Marshall Islands, Republic of Liberia, Singapore or such other flag as the Agent may (acting on the instructions of the Lenders) approve from time to time in writing as the flag on which such Ship shall be registered;

"**Approved Pooling Arrangement**" means, in relation to a Ship, the Scorpio Bulkers Ultramax Bulk Carrier Pool and any other pooling arrangement:

(a) run by any Affiliate of the Approved Commercial Ship Manager of that Ship; or

(b) proposed by the Borrower of that Ship and approved in writing by the Agent (acting on the instructions of the Majority Lenders) prior to that Ship's entry into pooling such arrangement;

"**Approved Ship Manager**" means, in respect of each Ship, the Approved Commercial Ship Manager and the Approved Technical Ship Manager.

"**Approved Ship Manager's Undertaking**" means, in relation to a Ship, the letter executed and delivered by an Approved Ship Manager and an Approved Sub- Manager, in the Agreed Form;

"**Approved Sub-Manager**" means any company providing commercial or technical management services in respect of ships of the same type as the Ships and falling within the definition of "Approved Ship Manager".

"**Approved Technical Ship Manager**" means in respect of each Ship:

(a) Scorpio Ship Management S.A.M. of 9, Rue du Gabian, MC 98000, the Principality of Monaco or any of its Affiliates or subsidiaries or any Affiliate or subsidiary of the Guarantor;

(b) any other company proposed by the Borrowers and/or the Guarantor which the Agent may (acting on the instructions of all the Lenders such instructions not to be unreasonably withheld or delayed), approve from time to time as the technical manager of that Ship;

"**Availability Period**" means, in relation to each Tranche, the period commencing on the date of this Agreement and ending on:

(a) 30 January 2018 (or such later date as the Agent may, with the authorisation of the Majority Lenders, agree with the Borrowers); or

(b) if earlier, the date on which the Total Commitments are fully borrowed, cancelled or terminated;

"**Bail-In Action**" means the exercise of any Write-down and Conversion Powers;

"**Bail-In Legislation**" means:

(a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and

(b) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation;

"**Business Day**" means a day on which banks are open in London and Amsterdam and, in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

"**Change of Control**" means the occurrence of any act, event or circumstances which results in:

(a) 100 per cent. of the Equity Interests of any Borrower ceasing to be ultimately owned and/or controlled by the Guarantor;

(b) a person or group other than any holders of the Guarantor's Equity Interests as at the date of this Agreement, becoming the ultimate beneficial owner of the Guarantor including, without limitation, any change from the date of this Agreement in the ultimate beneficial owner of more than 35 per cent. of the total voting power of the Voting Stock of the Guarantor (calculated on a fully diluted basis); or

(c) individuals who constitute the board of directors of the Guarantor at the beginning of any period of two consecutive calendar years and yet cease for any reason to constitute at least 50 per cent. of the total members of the Guarantor's board of directors at any time during such two year period;

"**Charter**" means, in relation to a Ship, any charterparty in respect of that Ship having a duration (including, without limitation, by virtue of any optional extensions) of more than 12 months entered or to be entered into by the Borrower which is the owner of that Ship with a charterer and on terms and conditions acceptable to the Agent (acting on the instructions of all the Majority Lenders) provided that any charterparty where the charterer is an Affiliate of the Guarantor or is entered into pursuant to an Approved Pooling Arrangement shall be excluded from this definition;

"**Charterparty Assignment**" means, in respect of a Charter and any guarantee of that Charter (to the extent that such guarantee is available), an assignment of the rights and interests of the Borrower which is party to that Charter in respect of that Charter and any related guarantee (to the extent that such guarantee is available) to be executed by that Borrower in favour of the Security Trustee in the Agreed Form;

"**CISADA**" means the United States Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 as it applies to non-US persons;

"**Code**" means the US Internal Revenue Code of 1986;

"**Commitment**" means, in relation to a Lender, the amount set opposite its name in Schedule 1 or, as the case may require, the amount specified in the relevant Transfer Certificate, as that amount may be reduced, cancelled or terminated in accordance with this Agreement (and "**Total Commitments**" means the aggregate of the Commitments of all the Lenders);

"**Compliance Certificate**" means a certificate executed by the chief financial officer of the Guarantor in the form set out in schedule 1 of the Guarantee;

"**Confidential Information**" means all information relating to any Borrower, the Guarantor, any other Security Party, the Finance Documents or any Master Agreement of which a Creditor Party becomes aware in its capacity as, or for the purpose of becoming, a Creditor Party or which is received by a Creditor Party in relation to, or for the purpose of becoming a Creditor Party under, the Finance Documents or any Master Agreement from either:

(a) any Borrower, the Guarantor or any other Security Party or any of their advisers; or

(b) another Creditor Party, if the information was obtained by that Creditor Party directly or indirectly from the Guarantor, any Borrower or any other Security Party or any of their 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 Creditor Party of Clause 26.13; or

(ii) is identified in writing at the time of delivery as non-confidential by the Guarantor, any Borrower or any other Security Party or any of their advisers; or

(iii) is known by that Creditor Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Creditor Party after that date, from a source which is, as far as that Creditor Party is aware, unconnected with the Guarantor, any Borrower or any other Security Party and which, in either case, as far as that Creditor Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality;

"**Confidentiality Undertaking**" means a confidentiality undertaking in substantially the appropriate form recommended by the Loan Market Association from time to time or in any other form agreed between the Guarantor, the Borrowers and the Agent;

"**Confirmation**" and "**Early Termination Date**", in relation to any continuing Designated Transaction, have the meanings given in the relevant Master Agreement;

"**Contractual Currency**" has the meaning given in Clause 21.4;

"**Contribution**" means, in relation to a Lender, the part of the Loan which is owing to that Lender;

"**Creditor Party**" means the Agent, the Security Trustee, the Mandated Lead Arranger, any Lender or any Swap Bank, whether as at the date of this Agreement or at any later time;

"**Designated Transaction**" means a Transaction which fulfils the following requirements:

(a) it is entered into by a Borrower pursuant to a Master Agreement with a Swap Bank;

(b) its purpose is the hedging of the Borrowers' exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the Maturity Date; and

(c) it is designated by a Borrower, by delivery by a Borrower to the Agent of a notice of designation in the form set out in Schedule 6, as a Designated Transaction for the purposes of the Finance Documents;

"**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 prevent 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;

"**Dollars**" and "**$**" means the lawful currency for the time being of the United States of America;

"**Drawdown Date**" means, in relation to a Tranche, the date requested by the Borrowers for such Tranche to be made, or (as the context requires) the date on which such Tranche is actually made;

"**Drawdown Notice**" means a notice in the form set out in Schedule 3 (or in any other form which the Agent approves or reasonably requires);

"**Earnings**" means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower owning that Ship or the Security Trustee and which arise out of the use or operation of that Ship, including (but not limited to):

(a) except to the extent that they fall within paragraph (b):

(i) all freight, hire and passage moneys;

(ii) compensation payable to the relevant Borrower or the Security Trustee in the event of requisition of that Ship for hire;

(iii) remuneration for salvage and towage services;

(iv) demurrage and detention moneys;

(v) damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of that Ship; and

(vi) all moneys which are at any time payable under Insurances in respect of loss of hire; and

(b) if and whenever that Ship is employed on terms whereby any moneys falling within paragraphs (a)(i) to (vi) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to that Ship;

"**Earnings Account**" means, in relation to a Ship, an account in the name of the Borrower owning that Ship with the relevant Account Bank designated as the Earnings Account in respect of such Ship, or any other account (with the relevant Account Bank, the Agent or with a bank or financial institution acceptable to the Majority Lenders) which is designated by the Agent as the Earnings Account for the purposes of this Agreement;

"**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;

"**Email**" has the meaning given in Clause 28.1;

"**Environmental Claim**" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"**Environmental Incident**" means:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation

or operation, in either case, in connection with which such Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or such Ship and/or the Borrower owning such Ship and/or any operator or manager of such Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which such Ship is actually or potentially liable to be arrested and/or where the Borrower owning such Ship and/or any operator or manager of such Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"**Environmental Law**" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"**Environmentally Sensitive Material**" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"**Equity Interests**" of any person means:

(a) any and all shares and other equity interests (including common stock, preferred stock, limited liability company interests and partnership interests) in such person; and

(b) all rights to purchase, warrants or options or convertible debt (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such person;

"**Event of Default**" means any of the events or circumstances described in 19.1;

"**Facility Office**" means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than 5 Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

"**Fair Market Value**" means, in relation to a Ship, a valuation determined in accordance with Clause 15.3;

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations or other official guidance;

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

"**FATCA Application Date**" means:

(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;

(b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2017; or

(c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2017,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement;

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA;

"**FATCA Exempt Party**" means a party to this Agreement that is entitled to receive payments free from any FATCA Deduction;

"**FATCA Protected Lender**" means any Lender irrevocably designated as a "FATCA Protected Lender" by the Borrowers by notice to that Lender and the Agent at least six months prior to the earliest FATCA Application Date for a payment by a party to this Agreement to that Lender (or to the Agent for the account of that Lender);

"**Fee Letter**" means a fee letter dated on or about the date of this Agreement between the Agent and the Borrowers setting out any of the fees referred to in clause 20.1.

"**Finance Documents**" means:

(a) this Agreement;

(b) the Fee Letter;

(c) the Agency and Trust Deed;

(d) the Guarantee;

(e) the Mortgages;

(f) the General Assignments

(g) the Account Security Deeds;

(h) any Charterparty Assignment;

(i) any Intercompany Loan Assignment;

(j) the Shares Pledge;

(k) any Master Agreement Assignment; and

(l) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrowers, the Guarantor, any other Security Party or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders and/or the Swap Banks under this Agreement or any of the other documents referred to in this definition (provided always that the Approved Ship Manager Undertakings shall be excluded from this item (l));

"**Financial Indebtedness**" means, in relation to a person (the "**debtor**"), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility or dematerialised equivalent made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within paragraphs (a) to (e) if the references to the debtor referred to the other person;

"**Fiscal Year**" means, in relation to any person, each period of 1 year commencing on January 1 of each year and ending on December 31 of such year in respect of which its accounts are or ought to be prepared;

"**GAAP**" means generally accepted accounting principles in the United States of America;

"**General Assignment**" means, in relation to a Ship, a general assignment of the Earnings, the Insurances and any Requisition Compensation for that Ship in the Agreed Form;

"**Green Passport**" means, in relation to a Ship, a green passport statement of compliance issued by that Ship's classification society which includes a list of any and all materials known to be potentially hazardous utilised in the construction of that Ship;

"**Guarantee**" means a guarantee to be executed by the Guarantor in favour of the Security Trustee in the Agreed Form;

"**Guarantor**" means Scorpio Bulkers Inc., a corporation incorporated in the Republic of the Marshall Islands, having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands;

"**Holding Company**" means, in relation to a person, any other person in respect of which it is a subsidiary;

"**IACS**" means the International Association of Classification Societies;

"**Insurances**" means, in relation to a Ship:

(a) all policies and contracts of insurance, including entries of that Ship in any protection and indemnity or war risks association, effected in respect of that Ship, its Earnings or otherwise in relation to that Ship whether before or on the date of this Agreement; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium and any rights in respect of any claim whether or not the relevant policy, contract of insurance or entry has expired on or before the date of this Agreement;

"**Intercompany Loan**" means any transaction constituting Financial Indebtedness entered into by the Guarantor as lender ("**Party A**") with the Borrowers or any of them ("**Party B**") as borrowers, and which complies with the requirements of Clause 11.20(b);

"**Intercompany Loan Assignment**" means an assignment of each Intercompany Loan made or to be made by the person providing such Intercompany Loan in favour of the Security Trustee in the Agreed Form;

"**Interest Period**" means a period determined in accordance with Clause 6;

"**ISM Code**" means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time (and the terms "**safety management system**", "**Safety Management Certificate**" and "**Document of Compliance**" have the same meanings as are given to them in the ISM Code);

"**ISPS Code**" means the International Ship and Port Facility Security Code as adopted by the International Maritime Organisation, as the same may be amended or supplemented from time to time;

"**ISSC**" means a valid and current International Ship Security Certificate issued under the ISPS Code;

"**Latent Event of Default**" means an event or circumstance which, with the giving of any notice, the lapse of time, would constitute an Event of Default;

"**Lender**" means, subject to Clause 26.6, a bank or financial institution listed in Part 1 of Schedule 1 and acting through its branch indicated in Schedule 1 (or through another branch notified to the Borrowers under Clause 26.14) or its transferee, successor or assign;

"**LIBOR**" means, in relation to any period for which an interest rate is to be determined under any provision of a Finance Document:

(a) the applicable Screen Rate; or

(b) if no Screen Rate is available for that period, the rate per annum determined by the Agent to be the arithmetic mean (rounded upwards to 4 decimal places) of the rates, as supplied to the Agent at its request, quoted by each Reference Bank to leading banks in the London Interbank Market;

as of 11 a.m. (London time) on the Quotation Date for that period for the offering of deposits in the relevant currency and for a period comparable to that period and, if any such rate is below zero, LIBOR shall be deemed to be zero;

"**Loan**" means the principal amount for the time being outstanding under this Agreement;

"**Major Casualty**" means, in relation to a Ship, any casualty to that Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $1,000,000 or the equivalent in any other currency;

"**Majority Lenders**" means:

(a) before a Tranche has been made, Lenders whose Commitments total 66.66 per cent. of the Total Commitments; and

(b) after a Tranche has been made, Lenders whose Contributions total 66.66 per cent. of the Loan;

"**Mandated Lead Arranger**" means NIBC Bank N.V., acting in its capacity as Mandated Lead Arranger through its office at 4 Carnegieplein, 2517 KJ, The Hague, The Netherlands and includes any transferee, assign or successor;

"**Margin**" means 2.85 per cent. per annum.

"**Master Agreement**" means any master agreement (on the 2002 ISDA (Multicurrency - Crossborder) form) in the Agreed Form entered or to be entered into at the Borrowers' option between a Borrower and a Swap Bank and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged under the master agreement;

"**Master Agreement Assignment**" means, in relation to each Master Agreement, the assignment of the Master Agreement to be entered into between the Borrower which is a party to such Master Agreement and the Security Trustee in Agreed Form;

"**Material Adverse Effect**" means a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of the Guarantor and the Borrowers taken as a whole; or

(b) the ability of the Guarantor or any Borrower to perform its payment obligations under any Finance Documents or any Master Agreement; or

(c) the validity or enforceability of, or the effectiveness or ranking of any Security Interest 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 or any Master Agreement.

"**Maturity Date**" means, in the case of each Tranche, the fifth anniversary of the date of this Agreement;

"**MOA**" means MOA A, MOA B or MOA C.

"**MOA A**" means the memorandum of agreement dated 6 November 2017 and made between (i) Borrower A as buyer and (ii) Seller A for the purchase of Ship A.

"**MOA B**" means the memorandum of agreement dated 6 November 2017 and made between (i) Borrower B as buyer and (ii) Seller B for the purchase of Ship B.

"**MOA C**" means the memorandum of agreement dated 6 November 2017 and made between (i) Borrower C as buyer and (ii) Seller C for the purchase of Ship C.

"**Mortgage**" means, in relation to a Ship the first priority or, as the case may be, preferred ship mortgage on the Ship under the applicable Approved Flag together with any deed of covenant collateral thereto, (if applicable) in the Agreed Form;

"**Negotiation Period**" has the meaning given in Clause 5.10;

"**Notifying Lender**" has the meaning given in Clause 23.1 or Clause 24.1 as the context requires;

"**Payment Currency**" has the meaning given in Clause 21.4;

"**Permitted Security Interests**" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement or any other Finance Document;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 30 days overdue (unless the overdue amount is being contested by the Borrower that owns such Ship in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 14.13(a)(viii);

(f) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where the Borrower that owns such Ship or the Guarantor, as the case may be, is actively prosecuting or defending such proceedings or arbitration in good faith; and

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"**Pertinent Document**" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 13 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to a Servicing Bank in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"**Pertinent Jurisdiction**", in relation to a company, means:

(a) England and Wales, the Principality of Monaco, New York State of the United States of America, The Netherlands and the Republic of the Marshall Islands;

(b) if not within any of the jurisdictions referred to in (a) above, the country under the laws of which the company is incorporated or formed;

(c) if not within any of the jurisdictions referred to in (a) above, a country in which the company has the centre of its main interests or in which the company's central management and control is or has recently been exercised;

"**Pertinent Matter**" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"**Prohibited Person**" means any person (whether designated by name or by reason of being included in a class of persons) against whom Sanctions are directed;

"**Quotation Date**" means, in relation to any period for which an interest rate is to be determined under any provision of a Finance Document, the day which is 2 Business Days before the first day of that period, unless market practice differs in the London Interbank Market for a currency, in which case the Quotation Date will be determined by the Agent in accordance with market practice in the London Interbank Market (and if quotations would normally be given by leading banks in the London Interbank Market on more than one day, the Quotation Date will be the last of those days);

"**Rating Agency**" means S&P, Moody's or, if both of them are not making ratings of securities publically available, an internationally recognised rating agency selected by the Agent which shall be substituted for S&P or Moody's;

"**Reference Banks**" means, subject to Clause 26.16, ABN AMRO Bank N.V. and ING Bank N.V., and any other prime international banks selected by the Agent and notified to the Borrower;

"**Relevant Person**" has the meaning given in Clause 19.9;

"**Repayment Date**" means a date on which a repayment is required to be made under Clause 8;

"**Requisition Compensation**" includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "**Total Loss**";

"**Resolution Authority**" means any body which has authority to exercise any Write-down and Conversion Powers;

"**Sanctions**" means any sanctions, embargoes, freezing provisions, prohibitions or other restrictions relating to trading, doing business, investment, exporting, financing or making assets available (or other activities similar to or connected with any of the foregoing):

(a) imposed by law or regulation of the Council of the European Union or any of its member states, the United Nations or its Security Council or the United Kingdom;

(b) under CISADA;

(c) in respect of (i) a "national" of any "designated foreign country", within the meaning of the Foreign Assets Control Regulations or the Cuban Asset Control Regulations of the United States Department of the Treasury, 31 C.F.R., Subtitle B, Chapter V, as amended, or (ii) a "specially designated national" listed by OFAC or any regulations or rulings issued thereunder; or

(d) otherwise imposed by any law or regulation or Executive Order by which any Creditor Party, the Guarantor, any Borrower or any Security Party is bound or, as regards a regulation, compliance with which is reasonable in the ordinary course of business of any Creditor Party, the Guarantor, any Borrower or any other Security Party, including without limitation laws or regulations or Executive Orders restricting loans to, investments in, or the export of assets to, foreign countries or entities doing business there;

"SBI Group" means the Guarantor and its subsidiaries from time to time;

"**Screen Rate**" means, in respect of LIBOR for any period, the rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for Dollars for the relevant period displayed on the appropriate page of the Reuters screen. If the agreed page is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrowers and the Lenders;

"**Secured Liabilities**" means all liabilities which the Borrowers, the Guarantor, the other Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or the Master Agreements or any judgment relating to any Finance Documents or the Master Agreements; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"**Security Interest**" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action *in rem*; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"**Security Party**" means the Guarantor and any other person (except a Creditor Party) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "**Finance Documents**" (but for the avoidance of doubt shall not include the Approved Ship Managers or any Approved Sub-Manager);

"**Security Period**" means the period commencing on the date of this Agreement and ending on the date on which the Agent acting reasonably notifies the Borrowers, the Security Parties and the other Creditor Parties that:

(a) all amounts which have become due for payment by the Borrowers or any Security Party under the Finance Documents and the Master Agreements have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document or any Master Agreement;

(c) neither any Borrower nor any Security Party has any future or contingent liability under Clause 20, 21 or 22 or any other provision of this Agreement or another Finance Document or a Master Agreement; and

(d) the Agent, the Security Trustee and the Majority Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document or a Master Agreement would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of a Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or a Master Agreement or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

"**Security Trustee**" means NIBC Bank N.V., acting in its capacity as Security Trustee for the Lenders and the Swap Banks through its office at 4 Carnegieplein, 2517 KJ, The Hague, The Netherlands and includes any transferee, assign or any successor of it appointed under clause 5 of the Agency and Trust Deed;

"**Seller A" m**eans Tiger Bulk No. 5 Limited, a company incorporated in Hong Kong whose registered office is a**t RM 2111-2114, 21/F Two International Finance Centre, 8 Finance Street Central, Hong Kong,** the seller of Ship A.

"**Seller B" m**eans Tiger Bulk No. 2 Limited, a company incorporated in Hong Kong whose registered office is a**t RM 2111-2114, 21/F Two International Finance Centre, 8 Finance Street Central, Hong Kong,** the seller of Ship B.

"**Seller C" m**eans Tiger Bulk No. 1 Limited, a company incorporated in Hong Kong whose registered office is a**t RM 2111-2114, 21/F Two International Finance Centre, 8 Finance Street Central, Hong Kong,** the seller of Ship C.

"**Seller" means Seller A, Seller B or Seller C.**

"**Servicing Bank**" means the Agent or the Security Trustee;

"**Shares Pledge**" means a deed creating security over the share capital of each Borrower in favour of the Security Trustee in the Agreed Form;

"**Ship**" means Ship A, Ship B or Ship C.

"**Ship A**" means the ultramax type vessel of 63,592 DWT currently owned by and registered in the name of Seller A under Hong Kong flag and, upon delivery to Borrower A under MOA A, to be registered in the ownership of Borrower A under an Approved Flag with the name "SBI COUGAR";

"**Ship B**" means the ultramax type vessel of 63,514 DWT currently owned by and registered in the name of Seller B under Hong Kong flag and, upon delivery to Borrower B under MOA B, to be registered in the ownership of Borrower B under an Approved Flag with the name "SBI JAGUAR";

"**Ship C**" means the ultramax type vessel of 63,542 DWT currently owned by and registered in the name of Seller C under Hong Kong flag and, upon delivery to Borrower C under MOA C, to be registered in the ownership of Borrower C under an Approved Flag with the name "SBI PUMA";

"**SMC**" means a safety management certificate issued in respect of the Ship in accordance with Rule 13 of the ISM Code;

"**Swap Bank**" means a bank or financial institution listed in Schedule 2 and acting through its branch indicated in Schedule 2;

"**Swap Counterparty**" means, at any relevant time and in relation to a continuing Designated Transaction, the Swap Bank which is a party to that Designated Transaction;

"**Swap Exposure**" means, as at any relevant date and in relation to a Swap Counterparty, the amount certified by the Swap Counterparty to the Agent to be the aggregate net amount in Dollars which would be payable by a Borrower to the Swap Counterparty under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement entered into by the Swap Counterparty with a Borrower if an Early Termination Date had occurred on the relevant date in relation to all continuing Designated Transactions entered into between a Borrower and the Swap Counterparty;

"**Total Loss**" means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of that Ship;

(b) any expropriation, confiscation, requisition or acquisition of that Ship, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension), unless it is within 6 months redelivered to the full control of the Borrower owning that Ship;

(c) any arrest, capture, seizure or detention of that Ship (including any theft) unless it is within 6 months redelivered to the full control of the Borrower owning that Ship; and

(d) any hijacking of that ship unless it is within 6 months redelivered to the full control of the Borrower owning that Ship;

"**Total Loss Date**" means:

(a) in the case of an actual loss of that Ship, the date on which it occurred or, if that is unknown, the date when that Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of that Ship, the earliest of:

  (i) the date on which a notice of abandonment is given to the insurers; and

  (ii) the date of any compromise, arrangement or agreement made by or on behalf with that Ship's insurers in which the insurers agree to treat such Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Agent that the event constituting the total loss occurred;

"**Tranche**" means the principal amount of each borrowing by the Borrowers under this Agreement comprising Tranche A, Tranche B and Tranche C;

"**Tranche A**" means that part of the Loan to be advanced to Borrower A to purchase Ship A in a principal amount not exceeding $13,500,000, as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"**Tranche B**" means that part of the Loan to be advanced to Borrower B to purchase Ship B in a principal amount not exceeding $12,600,000, as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"**Tranche C**" means that part of the Loan to be advanced to Borrower C to purchase Ship C in a principal amount not exceeding $12,600,000, as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"**Transaction**" has the meaning given in each Master Agreement;

"**Transfer Certificate**" has the meaning given in Clause 26.2;

"**Trust Property**" has the meaning given in clause 3.1 of the Agency and Trust Deed; and

"**US Tax Obligor**" means:

(a) a person that is a "United States person" within the meaning of Section 7701(a)(30) of the United States Internal Revenue Code of 1986, as amended; or

(b) a person some or all of whose payments under the Finance Documents are from sources within the US for US federal income tax purposes.

"**Voting Stock**" of any person as of any date means the Equity Interests of such person that are at the time entitled to vote in the election of the board of directors or similar governing body of such person.

"**Write-down and Conversion Powers**" means:

(a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and

(b) in relation to any other applicable Bail-In Legislation:

(i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

(ii) any similar or analogous powers under that Bail-In Legislation.

1.2 **Construction of certain terms.** In this Agreement:

"**administration notice**" means a notice appointing an administrator, a notice of intended appointment and any other notice which is required by law (generally or in the case concerned) to be filed with the court or given to a person prior to, or in connection with, the appointment of an administrator;

"**approved**" means, for the purposes of Clause 13, approved in writing by the Agent;

"**asset**" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"**company**" includes any partnership, joint venture and unincorporated association;

"**consent**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"**contingent liability**" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"**document**" includes a deed; also a letter or fax;

"**excess risks**" means, in relation to a Ship, the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which such Ship is assessed for the purpose of such claims;

"**expense**" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"**law**" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or of its Security Council;

"**legal or administrative action**" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"**liability**" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"**months**" shall be construed in accordance with Clause 1.3;

"**obligatory insurances**" means, in relation to a Ship, all insurances effected, or which the Borrower owning that Ship is obliged to effect, under Clause 13 or any other provision of this Agreement or another Finance Document;

"**parent company**" has the meaning given in Clause 1.4;

"**party**" means any party to this Agreement;

"**person**" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"**policy**" in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"**protection and indemnity risks**" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Time Clauses (Hulls)(1/11/02 or 1/11/03) or clause 8 of the Institute Time Clauses (Hulls) (1/10/83) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"**regulation**" includes any regulation, rule, official directive, request or guideline whether or not having the force of law of any governmental body, intergovernmental or supranational, agency, department or regulatory, self-regulatory or other authority or organisation;

"**subsidiary**" has the meaning given in Clause 1.4;

"**tax**" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"**war risks**" includes the risk of mines and all risks excluded by clause 29 of the Institute Hull Clauses (1/11/02 or 1/11/03) or clause 24 of the Institute Time clauses (Hulls) (1/11/1995) or clause 23 of the Institute Time Clauses (Hulls) (1/10/83).

1.3 **Meaning of "month".** A period of one or more "**months**" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started ("**the numerically corresponding day**"), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,

and "**month**" and "**monthly**" shall be construed accordingly.

1.4 **Meaning of "subsidiary".** A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P;

and any company of which S is a subsidiary is a parent company of S.

1.5 **General Interpretation.** In this Agreement:

(a) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(b) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(c) words denoting the singular number shall include the plural and vice versa; and

(d) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

1.6 **Headings.** In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

2 FACILITY

2.1 **Amount of facility.** Subject to the other provisions of this Agreement, the Lenders agree to make a loan facility not exceeding $38,700,000 available to the Borrowers in three Tranches.

2.2 **Lenders' participations in Tranches.** Subject to the other provisions of this Agreement, each Lender shall participate in each Tranche in the proportion which, as at the relevant Drawdown Date, its Commitment bears to the Total Commitments.

2.3 **Purpose of each Tranche.** The Borrowers undertake with each Creditor Party to use each Tranche only for the purpose stated in the preamble to this Agreement.

3 POSITION OF THE LENDERS AND SWAP BANKS

3.1 **Interests several.** The rights of the Lenders and of the Swap Banks under this Agreement and under the Master Agreements are several.

3.2 **Individual right of action.** Each Lender and each Swap Bank shall be entitled to sue for any amount which has become due and payable by the Borrowers to it under this Agreement or under a Master Agreement without joining the Agent, the Security Trustee, any other Lender or any other Swap Bank as additional parties in the proceedings.

3.3 **Proceedings requiring Majority Lender consent.** Except as provided in Clause 3.2, no Lender and no Swap Bank may commence proceedings against any Borrower or any Security Party in connection with a Finance Document without the prior consent of the Majority Lenders.

3.4 **Obligations several.** The obligations of the Lenders under this Agreement and of the Swap Banks under the Master Agreement to which each is a party are several; and a failure of a Lender to perform its obligations under this Agreement or a failure of a Swap Bank to perform its obligations under the Master Agreement to which it is a party shall not result in:

a. the obligations of the other Lenders or Swap Banks being increased; nor

b. any Borrower, any Security Party, any other Lender or any other Swap Bank being discharged (in whole or in part) from its obligations under any Finance Document or under any Master Agreement,

and in no circumstances shall a Lender or a Swap Bank have any responsibility for a failure of another Lender or another Swap Bank to perform its obligations under this Agreement or a Master Agreement.

4 **DRAWDOWN**

4.1 **Request for advance of a Tranche.** Subject to the following conditions, the Borrowers may request a Tranche to be made by ensuring that the Agent receives a completed Drawdown Notice not later than 11.00 a.m. (London time) 2 Business Days prior to the intended Drawdown Date.

4.2 **Availability.** The conditions referred to in Clause 4.1 are that:

(a) the Drawdown Date for each Tranche has to be a Business Day during the Availability Period applicable to such Tranche; and

(b) the amount of the proposed Tranche must be an amount which is not more than:

i. in respect of Tranche A, $13,500,000;

ii. in respect of Tranche B, $12,600,000; and

iii. in respect of Tranche C, $12,600,000,

and, in addition, the aggregate amount of all the Tranches shall not exceed 60 per cent. of the aggregate Fair Market Value of the Ships;

(c) each Tranche shall be made available in a single amount and any amount undrawn in respect of a Tranche shall be cancelled and may not be borrowed by the Borrowers at a later date;

(d) the aggregate amount of the Tranches shall not exceed the Total Commitment; and

(e) the applicable conditions precedent stated in Clause 9 shall have been satisfied or waived as provided therein.

4.4 **Notification to Lenders of receipt of a Drawdown Notice.** The Agent shall promptly notify the Lenders that it has received a Drawdown Notice and shall inform each Lender of:

(a) the amount of the Tranche requested and the Drawdown Date;

(b) the amount of that Lender's participation in that Tranche; and

(c) the duration of the first Interest Period applicable to that Tranche.

4.5 **Drawdown Notice irrevocable.** A Drawdown Notice must be signed by an officer or a duly authorised attorney-in-fact of the Borrower; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Agent, acting on the authority of the Majority Lenders.

4.5 **Lenders to make available Contributions.** Subject to the provisions of this Agreement, each Lender shall, on and with value on the Drawdown Date, make available to the Agent the amount due from that Lender under Clause 2.2.

4.6 **Disbursement of a Tranche.** Subject to the provisions of this Agreement, the Agent shall on each Drawdown Date pay to the Borrowers the amounts which the Agent receives from the Lenders under Clause 4.5; and that payment to the Borrowers shall be made:

(a) to the account which the Borrowers specify in the Drawdown Notice; and

(b) in the like funds as the Agent received the payments from the Lenders.

4.7 **Disbursement of a Tranche to third party.** The payment of a Tranche by the Agent under Clause 4.6 to a third party shall constitute the making of that Tranche and the Borrowers shall at that time become indebted, as principal and direct obligor, to each Lender in an amount equal to that Lender's Contribution.

4.8 **Prepositioning of funds.** If, in respect of the drawdown of any Tranche, the Lenders, at the request of the Borrowers and on terms acceptable to all the Lenders and in their absolute discretion, preposition funds with any bank, each Borrower shall and shall procure that the Guarantor shall:

(a) agree to pay interest on the amount of the funds so prepositioned at the rate described in Clause 5.2 on the basis of successive interest periods of one day and so that interest shall be paid together with the first payment of interest on such Tranche after the Drawdown Date in respect of it or, if such Drawdown Date does not occur, within three Business Days of demand by the Agent; and

(b) shall, without duplication, indemnify each Creditor Party against any costs, loss or liability it may incur in connection with such arrangement.

5. **INTEREST**

5.1 **Payment of normal interest.** Subject to the provisions of this Agreement, interest on each Tranche in respect of each Interest Period shall be paid by the Borrowers on the last day of that Interest Period.

5.2 **Normal rate of interest.** Subject to the provisions of this Agreement, the rate of interest on each Tranche in respect of an Interest Period shall be the aggregate of (i) the Margin and (iii) LIBOR for that Interest Period.

5.3 **Payment of accrued interest.** In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

5.4 **Notification of Interest Periods and rates of normal interest.** The Agent shall notify the Borrowers and each Lender of:

(a) each rate of interest; and

(b) the duration of each Interest Period,

as soon as reasonably practicable after each is determined.

5.5 **Obligation of Reference Banks to quote.** A Reference Bank which is a Lender shall use all reasonable efforts to supply the quotation required of it for the purposes of fixing a rate of interest under this Agreement.

5.6 **Absence of quotations by Reference Banks.** If any Reference Bank fails to supply a quotation, the Agent shall determine the relevant LIBOR on the basis of the quotations supplied by the other Reference Bank or Banks; but if 2 or more of the Reference Banks fail to provide a quotation, the relevant rate of interest shall be set in accordance with the following provisions of this Clause 5.

5.7 **Market disruption.** The following provisions of this Clause 5 apply if:

(a) no Screen Rate is available for an Interest Period and 2 or more of the Reference Banks do not, before 1.00 p.m. (London time) on the Quotation Date, provide quotations to the Agent in order to fix LIBOR; or

(b) at least 1 Business Day before the start of an Interest Period, Lenders having Contributions together amounting to more than 50 per cent. of the Loan (or, if the Loan has not been made, Commitments amounting to more than 50 per cent. of the Total Commitments) notify the Agent that LIBOR fixed by the Agent would not accurately reflect the cost to those Lenders of funding their respective Contributions (or any part of them) during the Interest Period in the London Interbank Market at or about 11.00 a.m. (London time) on the Quotation Date for the Interest Period; or

(c) at least 1 Business Day before the start of an Interest Period, the Agent is notified by a Lender (the "**Affected Lender**") that for any reason it is unable to obtain Dollars in the London Interbank Market in order to fund its Contribution (or any part of it) during the Interest Period.

5.8 **Notification of market disruption.** The Agent shall promptly notify the Borrowers, each of the Lenders and each of the Swap Banks stating the circumstances falling within Clause 5.7 which have caused its notice to be given.

5.9 **Suspension of drawdown.** If the Agent's notice under Clause 5.8 is served before a Tranche is made:

(a) in a case falling within Clauses 5.7(a) or (b), the Lenders' obligations to make that Tranche; and

(b) in a case falling within Clause 5.7(c), the Affected Lender's obligation to participate in such Tranche,

shall be suspended while the circumstances referred to in the Agent's notice continue.

5.10 **Negotiation of alternative rate of interest.** If the Agent's notice under Clause 5.8 is served after a Tranche is made, the Borrowers, the Agent, the Lenders or (as the case may be) the Affected Lender and the Swap Counterparties shall use reasonable endeavours to agree, within the 30 days after the date on which the Agent serves its notice under Clause 5.8 (the "**Negotiation Period**"), an alternative interest rate or (as the case may be) an alternative basis for the Lenders or (as the case may be) the Affected Lender to fund or continue to fund their or its Contribution during the Interest Period concerned.

5.11 **Application of agreed alternative rate of interest.** Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

5.12 **Alternative rate of interest in absence of agreement.** If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Agent shall, with the agreement of each Lender or (as the case may be) the Affected Lender, set an interest period and interest rate representing the cost of funding of the Lenders or (as the case may be) the Affected Lender in Dollars or in any available currency of their or its Contribution plus the Margin; and the procedure provided for by this Clause 5.12 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Agent.

5.13 **Notice of prepayment.** If the Borrowers do not agree with an interest rate set by the Agent under Clause 5.12, the Borrowers may give the Agent not less than 15 Business Days' notice of their intention to prepay at the end of the interest period set by the Agent.

5.14 **Prepayment; termination of Commitments.** A notice under Clause 5.13 shall be irrevocable; the Agent shall promptly notify the Lenders or (as the case may require) the Affected Lender of the Borrowers' notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Total Commitments or (as the case may require) the Commitment of the Affected Lender shall be cancelled; and

(b) on the last Business Day of the interest period set by the Agent, the Borrowers shall prepay (without premium or penalty) the Loan or, as the case may be, the Affected Lender's Contribution, together with accrued interest thereon at the applicable rate plus the applicable Margin.

5.15 **Application of prepayment.** The provisions of Clause 8 shall apply in relation to the prepayment.

6. **INTEREST PERIODS**

6.1 **Commencement of Interest Periods.** The first Interest Period applicable to a Tranche shall commence on the Drawdown Date relating to that Tranche and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

6.2 **Duration of normal Interest Periods.** Subject to Clauses 6.3 and 6.4, each Interest Period applicable to a Tranche shall be:

(a) 3 months or such other period as the Agent may, with the authorisation of all the Lenders, agree with the Borrowers; or

(b) in the case of the first Interest Period applicable to such Tranche, a period ending on the first Repayment Date relating to that Tranche.

6.3 **Duration of Interest Periods for repayment instalments.** In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

6.4 **Non-availability of matching deposits for Interest Period selected.** If, after the Borrowers have selected and the Lenders have agreed an Interest Period longer than 3 months, any Lender notifies the Agent by 11.00 a.m. (London time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 3 months.

7. **DEFAULT INTEREST**

7.1 **Payment of default interest on overdue amounts.** The Borrowers shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by the Borrowers under any Finance Document which the Agent, the Security Trustee or the other designated payee does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 19.4, the date on which it became immediately due and payable.

7.2 **Default rate of interest.** Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 7.3(a) and (b); or

(b) in the case of any other overdue amount, the rate set out at Clause 7.3(b).

7.3 **Calculation of default rate of interest.** The rates referred to in Clause 7.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the Margin plus in respect of successive periods of any duration (including at call) up to 3 months which the Agent may, with the consent of the Majority Lenders, select from time to time:

(i) LIBOR; or

(ii) if the Agent (after consultation with the Reference Banks) determines that Dollar deposits for any such period are not being made available to any Reference Bank by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Agent by reference to the actual cost of funds to the Reference Banks from such other sources as the Agent (after consultation with the Reference Banks) may from time to time determine.

7.4 **Notification of interest periods and default rates.** The Agent shall promptly notify the Lenders and the Borrowers of each interest rate determined by the Agent under Clause 7.3 and of each period selected by the Agent for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Agent's notification.

7.5 **Payment of accrued default interest.** Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined; and the payment shall be made to the Agent for the account of the Creditor Party to which the overdue amount is due.

7.6 **Compounding of default interest.** Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

7.7 **Application to Master Agreements.** For the avoidance of doubt, this Clause 7 does not apply to any amount payable under a Master Agreement in respect of any continuing Designated Transaction as to which section 2(e) (Default Interest; Other Amounts) of that Master Agreement shall apply.

8. **REPAYMENT AND PREPAYMENT**

8.1 **Amount of repayment instalments.**

(a) The Borrowers shall repay each Tranche by twenty consecutive quarterly repayment instalments, in an amount of $300,000 each, with the remainder of the Tranche then outstanding payable as a balloon instalment on the Maturity Date.

(b) In case the amount drawn under a Tranche is less than the maximum amount available under this Agreement, each quarterly repayment instalment and the balloon instalment for the relevant Tranche referred to in (a) above shall be reduced pro rata.

8.2 **Repayment Dates.** The instalments shall be repaid as follows:

(a) the first instalment in respect of the first Tranche to be drawn shall be repaid on the date falling 3 months after the Drawdown Date relating to that first Tranche;

(b) the first instalments in respect of the second and third Tranches to be drawn shall be repaid on the same date on which the first instalment of the first Tranche is to be paid; and

(c) the last repayment instalment for each Tranche on the quarterly repayment date falling on or immediately prior to the Maturity Date with the balloon instalment payable on the Maturity Date.

8.3 **Final Repayment Date.** On the final Repayment Date, the Borrowers shall additionally pay to the Agent for the account of the Creditor Parties all other sums then accrued or owing under any Finance Document.

8.4 **Voluntary and automatic cancellation.**

(a) 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 $1,000,000 of the Loan). Any cancellation under this Clause 8.4 shall reduce the Commitments of the Lenders rateably and the amount of the relevant Tranche(s).

(b) The unutilised Commitment (if any) of each Lender shall be automatically cancelled at close of business on the date on which that Tranche is made.

8.5 **Voluntary prepayment.** Subject to the conditions set forth in Clause 8.6, the Borrowers may prepay the whole or any part of the Loan on the last day of an Interest Period without premium other than pursuant to Clause 8.12.

8.6 **Conditions for voluntary prepayment.** The conditions referred to in Clause 8.5 are that:

(a) a partial prepayment shall be $1,000,000 or a higher integral multiple of $1,000,000 or such lower amount as the Agent may approve;

(b) the Agent has received from the Borrowers at least three Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) that the Borrowers have complied with Clause 8.15 on or prior to the date of prepayment.

8.7 **Effect of notice of prepayment.** A prepayment notice may not be withdrawn or amended without the consent of the Agent, given with the authorisation of the Majority Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

8.8 **Notification of notice of prepayment.** The Agent shall notify the Lenders promptly upon receiving a prepayment notice.

8.9 **Mandatory prepayment on sale or Total Loss.** If a Ship is sold or becomes a Total Loss, the Borrowers shall prepay the Tranche related to that Ship and comply with Clause 8.15:

(a) in the case of a sale, on or before the date on which the sale is completed by delivery of the Ship to the relevant buyer; or

(b) in the case of a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss.

8.10 **Mandatory prepayment on Change of Control.** If there is a Change of Control, the Borrower shall prepay the Loan and comply with Clause 8.14 on or before the date falling 60 days following such Change of Control unless agreed otherwise by all the Lenders.

8.11 **Mandatory repayment and cancellation of FATCA Protected Lenders.**

(a) If on the date falling six months before the earliest FATCA Application Date for any payment by any party to this Agreement to a FATCA Protected Lender (or to the Agent for the account of that Lender), that Lender is not a FATCA Exempt Party and, in the opinion of that Lender (acting reasonably), that party will, as a consequence, be required to make a FATCA Deduction from a payment to that Lender (or to the Agent for the account of that Lender) on or after that FATCA Application Date (a "**FATCA Event**"):

(i) that Lender shall, reasonably promptly after that date, notify the Agent of that FATCA Event and the relevant FATCA Application Date; and

(ii) if, on the date falling one month before such FATCA Application Date, that FATCA Event is continuing:

(A) that Lender may, at any time between one month and two weeks before such FATCA Application Date, notify the Agent;

(B) upon the Agent notifying the Borrowers, the Commitment of that Lender will be immediately cancelled; and

(C) the Borrowers shall repay that Lender's Contribution on the last day of the Interest Period applicable to the relevant Tranche or Tranches to be repaid occurring after the Agent has notified the Borrowers or, if earlier, the last Business Day before the relevant FATCA Application Date.

8.12 **Amounts payable on prepayment.** A voluntary prepayment under Clause 8.5 and a mandatory prepayment under Clauses 8.9 and 8.10 and any cancellation of any Lender's Commitment whether under Clause 8.4 or otherwise under this Agreement shall be made together with:

(a) accrued interest (and any other amount payable under Clause 21 or otherwise) in respect of the amount prepaid;

(b) if the prepayment is not made on the last day of an Interest Period, any sums payable under Clause 21.1(b); and

(c) a prepayment fee of:

(i) 1.25 per cent. of the prepaid or cancelled amount in respect of any prepayment made or cancellation effected before the first anniversary of the date of this Agreement;

(ii) 0.75 per cent. of the prepaid or cancelled amount in respect of any prepayment made or cancellation effected after the first but on or before the second anniversary of the date of this Agreement;

(iii) 0.25 per cent. of the prepaid or cancelled amount in respect of any prepayment made or cancellation effected after the second but on or before the third anniversary of the date of this Agreement; and

(iv) none thereafter,

provided that no prepayment fee shall be payable in respect of a mandatory prepayment under Clause 8.9(b) or Clause 8.10, a voluntary prepayment under Clause 15.2 or a cancellation of Commitment under Clause 4.2(c).

8.13 **Application of partial prepayment.** Each partial prepayment shall be applied pro rata against each Tranche and, as regards each Tranche, first against the balloon instalment and then against the scheduled repayment instalments specified in Clause 8.1 in inverse order of maturity.

8.14 **No reborrowing.** No amount prepaid may be reborrowed.

8.15 **Unwinding of Designated Transactions.** On or prior to any repayment or prepayment of the Loan under this Clause 8 or any other provision of this Agreement, the Borrowers shall unless otherwise agreed by all the Lenders wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions so that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Loan as reducing from time to time thereafter pursuant to Clause 8.1.

9. CONDITIONS PRECEDENT

9.1 **Documents, fees and no default.** Each Lender's obligation to contribute to the Loan is subject to the following conditions precedent:

(a) that, on or before the service of the first Drawdown Notice, the Agent receives the documents described in Part A of Schedule 4 in form and substance satisfactory to the Agent and its lawyers;

(b) that, on each Drawdown Date but prior to the advance of a Tranche, the Agent receives or is satisfied that it will receive on the making of such Tranche the documents described in Part B of Schedule 4 in form and substance satisfactory to it and its lawyers;

(c) that, on or before the service of each Drawdown Notice, the Agent receives all accrued commitment fee payable pursuant to Clause 20.1(b) and has received payment of the expenses referred to in Clause 20.2; and

(d) that both at the date of each Drawdown Notice and at each Drawdown Date:

(i) no Event of Default or Latent Event of Default has occurred or would result from the borrowing of the relevant Tranche;

(ii) the representations and warranties in Clause 10.1 and those of the Guarantor, any Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing;

(iii) there has not been a change in the financial position, state of affairs or prospects of the Guarantor, any Borrower or any other Security Party which has a Material Adverse Effect;

(iv) there has been no material change in the consolidated financial condition, operations or business prospects of the Guarantor or any Borrower since the date on which the Guarantor provided the Compliance Certificate and Accounting Information accompanying such Compliance Certificate or in respect of any of the information concerning those topics appended to the Compliance Certificate; and

(v) none of the circumstances contemplated by Clause 5.7 has occurred and is continuing; and

(e) that, if the ratio set out in Clause 15.1 were applied immediately following the making of the Tranche, the Borrowers would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(f) that the Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Agent may, with the authorisation of the Majority Lenders, request by notice to the Borrowers prior to the relevant Drawdown Date.

9.2 **Waiver of conditions precedent.** If the Majority Lenders, at their discretion, permit a Tranche to be borrowed before certain of the conditions referred to in Clause 9.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 5 Business Days after the Drawdown Date relating to that Tranche (or such longer period as the Agent may, with the authorisation of the Majority Lenders, specify).

10. REPRESENTATIONS AND WARRANTIES

10.1 **General.** Each Borrower represents and warrants to each Creditor Party as follows.

10.2 **Status.** Each Borrower is duly incorporated and validly existing and in good standing under the laws of the Republic of the Marshall Islands.

10.3 **Ownership of the Borrowers.** The Guarantor is the direct legal and beneficial owner of all the issued share capital and voting rights in respect of each Borrower free of Security Interests save for the Security Interests created pursuant to the Finance Documents.

10.4 **Corporate power.** Each Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to execute its MOA, to purchase and pay for its Ship under the relevant MOA and to own and register its Ship in its name under the Approved Flag;

(b) to execute the Finance Documents to which that Borrower is a party and the Master Agreements; and

(c) to borrow under this Agreement, to enter into Designated Transactions under each Master Agreement and to make all the payments contemplated by, and to comply with, the Finance Documents to which that Borrower is a party and each Master Agreement.

10.5 **Consents in force**. All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

10.6 **Legal validity; effective Security Interests.** The Finance Documents to which that Borrower is a party and each Master Agreement, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute that Borrowers' legal, valid and binding obligations enforceable against that Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors' rights generally.

10.7 **No third party Security Interests.** Without limiting the generality of Clause 10.5, at the time of the execution and delivery of each Finance Document:

(a) each Borrower which is a party to that Finance Document will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

10.8 **No conflicts.** The execution by each Borrower of, its MOA, each Finance Document to which it is a party and each Master Agreement, and the borrowing by that Borrower of the Loan, and its compliance with each Finance Document and each Master Agreement will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of that Borrower; or

(c) any contractual or other obligation or restriction which is binding on that Borrower or any of its assets.

10.9 **No withholding taxes.** All payments which each Borrower is liable to make under the Finance Documents to which it is a party may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

10.10 **No default.** No Event of Default or Latent Event of Default has occurred.

10.11 **Information.** All information which has been provided in writing by or on behalf of the Borrowers or any Security Party to any Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 11.7; and there has been no material adverse change in the financial position or state of affairs of that Borrower from that disclosed in the latest of those accounts.

10.12 **No litigation.** No legal or administrative action involving any Borrower or any Security Party (including action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to that Borrowers' knowledge, is likely to be commenced or taken which, in either case, would be likely to have a Material Adverse Effect or which would prevent it from meeting its obligations under this Agreement.

10.13 **Compliance with certain undertakings.** At the date of this Agreement, each Borrower is in compliance with Clauses 11.2, 11.4, 11.8 and 11.13.

10.14 **Taxes paid.** Each Borrower has paid all taxes applicable to, or imposed on or in relation to that Borrower, its business or the Ship owned by it.

10.15 **ISM Code, ISPS Code and Environmental Laws compliance.** All requirements of the ISM Code, the ISPS Code and all Environmental Laws as they relate to the Guarantor, the Borrowers, any Approved Ship Manager, any Approved Sub-Manager and the Ships have been complied with at all times.

10.16 **No money laundering.** Without prejudice to the generality of Clause 2.3, in relation to the borrowing by the Borrowers of the Loan, the performance and discharge of their respective obligations and liabilities under the Finance Documents or any Master Agreement, and the transactions and other arrangements affected or contemplated by the Finance Documents or any Master Agreement to which a Borrower is a party, each

Borrower confirms (i) that it is acting for its own account; (ii) that it will use the proceeds of the Loan for its own benefit, under its full responsibility and exclusively for the purposes specified in this Agreement; and (iii) that the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council).

10.17 **No immunity.** No Borrower is and no assets of any Borrower are entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceedings (which shall include, without limitation, suit, attachment prior to judgment, execution or other enforcement).

10.18 **Sanctions**.

(a) Neither the Borrowers nor the Guarantor:

(i) is a Prohibited Person; and/or

(ii) owns or controls a Prohibited Person; and

(b) no proceeds of any Tranche or the Loan shall be made available, directly or indirectly, to or for the benefit of a Prohibited Person in breach of Sanctions nor shall they be otherwise directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions.

10.19 **Pari passu**. The obligations of each Borrower under the Finance Documents and any Master Agreement to which it is a party rank at least *pari passu* with all other unsecured indebtedness of that Borrower other than indebtedness mandatorily preferred by law.

10.20 **Validity and admissibility in evidence**. All consents required or desirable:

(a) to enable each Borrower lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and

(b) to make the Finance Documents to which each Borrower is a party admissible in evidence in its Pertinent Jurisdictions,

have been obtained or effected and are in full force and effect.

10.21 **Insolvency**. No corporate action, legal proceeding, creditors' process or other procedure or step described in paragraphs (g) and (h) of Clause 19.1 has been taken or, to its knowledge, threatened in relation to a Borrower or any Security Party.

10.22 **No breach of laws**. No Borrower has (and, to the best of its knowledge, no Security Party has) breached any law or regulation which breach has or, in the case of any breach by the Borrowers, is reasonably likely to, have a Material Adverse Effect.

10.23 **Good title to assets**. Each Borrower has good, title to its assets.

10.24 **Anti-terrorism compliance.** Each Borrower is in compliance with any and all anti-terrorism law applicable to it.

10.25 **US Tax Obligor.** No Borrower is a US Tax Obligor and each Borrower is in full compliance with FATCA to the extent applicable to it.

10.26 **Governing law and enforcement**

(a) The choice of governing law of each Finance Document to which it is a party will be recognised and enforced in (i) its Pertinent Jurisdictions, (ii) any jurisdiction where any asset subject to, or intended to be subject to any of the Security Interests created, or intended to be created, by it is situated, or (iii) the jurisdiction whose laws govern the perfection of any of the Finance Documents entered into by it.

(b) Any judgment obtained in relation to a Finance Document to which it is a party in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in (i) its Pertinent Jurisdictions, (ii) any jurisdiction where any asset subject to, or intended to be subject to any of the Security Interests created, or intended to be created, by it is situated, or (iii) the jurisdiction whose laws govern the perfection of any of the Finance Documents entered into by it.

10.27 **Validity and completeness of the MOAs**

(a) Each MOA constitutes legal, valid, binding and enforceable obligations of the relevant Seller.

(b) The copies of the MOAs delivered to the Agent before the date of this Agreement are true and complete copies.

(c) No amendments or additions to the MOAs have been agreed nor have any rights under the MOAs been waived which would be likely to have a Material Adverse Effect or which would prevent a Borrower from meeting its obligations under this Agreement.

11. **GENERAL UNDERTAKINGS**

11.1 **General.** Each Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

11.2 **Title; negative pledge.** Each Borrower will:

(a) hold the legal title to, and own the entire beneficial interest in the Ship owned (or to be owned) by it, the Insurances and Earnings relating to that Ship and the Earnings Account in its name, free from all Security Interests and other interests and rights of every kind, except for (i) those created by the Finance Documents and the effect of assignments contained in the Finance Documents, (ii) Permitted Security Interests; and

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future; and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least *pari passu* with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

11.3 **No disposal of assets.** No Borrower will transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation except for demurrage claims and otherwise in the ordinary course of conducting its business as a ship owner; or

(c) make any substantial change to the nature of its business from that existing at the date of this Agreement,

but paragraph (a) does not apply to any charter of any Ship to which Clauses 14.13 and/or 14.17 apply or to the sale of a Ship on arm's length for its Fair Market Value if the Borrowers can demonstrate prior to such sale to the Agent's satisfaction that the net proceeds of such sale shall be sufficient to enable the relevant Borrower to comply with its mandatory prepayment obligation under Clause 8.9 and, upon such sale, the net proceeds of such sale are sufficient to enable the relevant Borrower to comply with its mandatory prepayment obligation under Clause 8.9.

11.4 **No other liabilities or obligations to be incurred.** No Borrower will incur any liability or obligation (including, without limitation, any contingent liability) except liabilities and obligations:

(a) under the Finance Documents to which it is a party;

(b) an Intercompany Loan; or

(c) reasonably incurred in the ordinary course of operating, upgrading, maintaining and chartering its Ship.

11.5 **Information provided to be accurate.** All financial and other information which is provided in writing by or on behalf of a Borrower or any Security Party under or in connection with any Finance Document will be true, complete and not misleading and will not omit any material fact or consideration.

11.6 **Provision of financial statements.** Each Borrower will procure that the following are sent to the Agent:

(a) as soon as possible, but in no event later than 120 days after the end of each financial year of the Guarantor, the audited consolidated accounts of the Guarantor and its subsidiaries;

(b) as soon as possible, but in no event later than 60 days after the end of the first three Accounting Periods, unaudited consolidated accounts of the Guarantor and its subsidiaries which are certified as to their correctness by the chief financial officer of the Guarantor;

(c) as soon as possible, but in no event later than 60 days of the commencement of each financial year of the Guarantor, an annual budget (including consolidated profit & loss, balance sheet and cash flow forecast) for the Guarantor and its subsidiaries for that financial year;

(d) a Compliance Certificate together with the quarterly reports in respect of the Guarantor that the Borrower delivers in (b) above each certified by the chief financial officer of the Guarantor; and

(e) such other information and financial statements (including, without limitation, details of the operating performance, employment, positions and engagements of the Ships, annual budgets and projections) as may be requested by the Agent from time to time.

11.7 **Form of financial statements.** All accounts (audited and unaudited) delivered under Clause 11.6 will:

a. be prepared in accordance with all applicable laws and GAAP consistently applied;

b. fairly represent the financial condition of the Guarantor and its subsidiaries at the date of those accounts and of their profit for the period to which those accounts relate; and

c. fully disclose or provide for all significant liabilities of the Guarantor and its subsidiaries.

11.8 **Consents.** Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Agent of, all consents required:

a. for it to perform its obligations under any Finance Document or MOA to which it is a party or any Master Agreement;

b. for the validity or enforceability of any Finance Document or MOA to which it is a party or any Master Agreement; and

c. to continue to own and operate the Ship owned by it.

and each Borrower will comply with the terms of all such consents.

11.9 **Maintenance of Security Interests.** Each Borrower will:

a. at its own cost, do all that it reasonably can to ensure that any Finance Document and each Master Agreement validly creates the obligations and the Security Interests which it purports to create; and

b. without limiting the generality of paragraph (a), at its own cost, promptly register, file, record or enrol any Finance Document and any Master Agreement (if applicable) with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Majority Lenders, is or has

become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

11.10 **Notification of litigation.** The Borrowers will provide the Agent with details of any legal action involving any Borrower, any Security Party or any Ship, its Earnings or its Insurances as soon as such action is instituted unless it is clear that the legal action cannot be considered material in the context of any Finance Document.

11.11 **No amendment to Master Agreements.** No Borrower will agree to any amendment or supplement to, or waive or fail to enforce, any Master Agreement or any of its provisions.

11.12 **Chief Executive Office.** Each Borrower will maintain its chief executive office in the Principality of Monaco.

11.13 **Confirmation of no default.** The Borrowers will, within 2 Business Days after service by the Agent of a written request, serve on the Agent a notice which is signed by 2 directors of each Borrower and which:

a. states that no Event of Default or Latent Event of Default has occurred; or

b. states that no Event of Default or Latent Event of Default has occurred, except for a specified event or matter, of which all material details are given.

The Agent may serve requests under this Clause 11.13 from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10 per cent. of the Loan or (if the Loan has not been made) Commitments exceeding 10 per cent of the Total Commitments; and this Clause 11.13 does not affect the Borrowers' obligations under Clause 11.14.

11.14 **Notification of default.** Each Borrower will notify the Agent as soon as that Borrower becomes aware of:

a. the occurrence of an Event of Default or a Latent Event of Default; or

b. any matter which indicates that an Event of Default or a Latent Event of Default may have occurred,

and will keep the Agent fully up-to-date with all developments.

11.15 **Provision of further information.** The Borrowers will, as soon as practicable after receiving the request, provide the Agent with any additional financial or other information relating to:

a. the financial condition, business and operations of any Borrower;

b. any Security Party, any Ship, its Earnings or its Insurances; or

c. any other matter relevant to, or to any provision of, a Finance Document and any Master Agreement,

which may be requested by the Agent, the Security Trustee, any Lender or any Swap Bank at any time and the Borrowers shall promptly, provide such further information and/or documents as any Creditor Party (through the Agent) may request so as to enable such Creditor Party to comply with any laws applicable to it (including, without limitation, compliance with FATCA).

11.16 **Provision of copies and translation of documents.** The Borrowers will supply the Agent with a sufficient number of copies of the documents referred to above to provide 1 copy for each Creditor Party; and if the Agent so requires in respect of any of those documents, the Borrowers will provide a certified English translation prepared by a translator approved by the Agent.

11.17 **"Know your customer" checks.** Each Borrower shall notify the Agent immediately if it becomes aware of any actual or intended change in its status or the status of any Security Party after the date of this Agreement. If:

a. the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

b. any change in the status of any Borrower or any Security Party after the date of this Agreement; or

c. a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrowers shall promptly upon the request of the Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (c), on behalf of any prospective new Lender) in order for the Agent, the Lender concerned or, in the case of the event described in paragraph (c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

11.18 **Compliance with laws**. Each Borrower shall comply and shall procure that the Guarantor shall comply in all material respects with all applicable laws, including, without limitation, all Environmental Laws, all Sanctions and regulations relating thereto.

11.19 **Taxes**. Each Borrower shall prepare and timely file all tax returns required to be filed by it and any member of the SBI Group and pay and discharge all taxes imposed upon it and any member of the SBI Group or in respect of any of its or any member of the SBI Group's property and assets before the same shall become in default, as well as all lawful claims (including, without limitation, claims for labour, materials and supplies) which, if unpaid, might become a lien or any part thereof, except in each case, for any such taxes (a) as are being contested in good faith by appropriate proceedings and for which adequate reserves have been established, (b) as to which such failure to have paid does not create any risk of sale, forfeiture, loss, confiscation or seizure of a Ship or criminal liability, or (c) the failure of which to pay or discharge would not be likely to have a Material Adverse Effect.

11.20 **Use of proceeds and Intercompany Loans**. The Borrowers shall:

a. use the proceeds of a Tranche solely to partially finance the cost of its acquisition of the Ship under the MOA relating to such Ship or reimburse the Borrowers for such acquisition; and

b. not incur any liability or obligation under any Intercompany Loan the Guarantor provides unless such Intercompany Loan:

i. is fully subordinated to any and all obligations of the Borrowers and the rights of the Creditor Parties under the Finance Documents;

ii. does not require the payment of interest prior to expiry of the Maturity Date

iii. matures at least 1 year after the Maturity Date; and

iv. is not secured by any asset which is already, or is to be, the subject of a Security Interest created by any Borrower or any Security Party pursuant to any Finance Document,

c. furnish promptly to the Agent a true and complete copy of any instrument evidencing any Intercompany Loan, all other documents related thereto and a true and complete copy of each material amendment or other modification thereof; and

d. in respect of any such Intercompany Loan, execute and deliver to the Agent an Intercompany Loan Assignment and deliver to the Agent such other documents equivalent to those referred to in paragraphs 4, 5 and 6 of Part A of Schedule 4 as the Agent may require.

11.21 **Other swaps.** Each Borrower may enter into other master agreements and/or derivative instruments with any third party swap provider for the purposes of hedging its exposure under this Agreement to interest rate fluctuations provided that:

a. the Swap Banks shall have a right of first refusal in respect of providing such swap/derivative lines to the Borrowers; and

b. in the event a Swap Bank is not the chosen provider of such swap/derivative lines to the Borrowers,

such third party swap provider does not share in any Security Interest created under any Finance Document and is fully subordinated to the rights of the Creditor Parties under the Finance Documents.

11.22 **Anti-corruption law**

a. The Borrowers shall not 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.

b. Each Borrower shall:

i. conduct its business in compliance with applicable anti-corruption laws; and

ii. maintain policies and procedures designed to promote and achieve compliance with such laws.

11.23 **Most favoured nation**. If, at any time prior to 30 July 2020, the financial covenants, dividend restrictions or change of ownership restrictions provided by a Borrower or the Guarantor to other creditor parties in relation to any other financings are more favourable to the creditor parties to those other financings than the financial covenants, dividend restrictions and change of ownership restrictions set out in Clauses 8.10 and 12.4 in this Agreement and clauses 11.22, 12.1, 12.2, 12.3 and 12.4 of the Guarantee, the more favourable financial covenants, dividend restrictions and change of ownership restrictions shall apply to this Agreement as if expressly incorporated in this Agreement.

12. **CORPORATE AND FINANCIAL UNDERTAKINGS**

12.1 **General.** Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

12.2 **Maintenance of status.** Each Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Republic of the Marshall Islands.

12.3 **Negative undertakings.** No Borrower will:

a. carry on any business other than the ownership, chartering and operation of the Ship owned by it; or

b. provide any form of credit or financial assistance to:

i. a person who is directly or indirectly interested in the Guarantor or any Borrower's share or loan capital; or

ii. any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the relevant Borrower than those which it could obtain in a bargain made at arms' length;

c. change its Fiscal Year;

d. issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital;

e. acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative other than Designated Transactions; or

f. enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation.

12.4 **Dividends.** Each Borrower may make or pay any dividend or other distribution (in cash or in kind) provided no Event of Default has occurred and is continuing or would occur as a result occur as a result of the making or payment of such dividend or distribution.

13. **INSURANCE**

13.1 **General.** Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 13 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

13.2 **Maintenance of obligatory insurances.** Each Borrower shall keep the Ship owned by it insured at the expense of that Borrower against:

a. fire and usual marine risks (including hull and machinery plus hull interest and any other usual marine risks such as excess risks as applicable);

b. war risks (including the London Blocking and Trapping addendum or similar arrangement);

c. full protection and indemnity risks (including liability for oil pollution and excess war risk P&I cover) on standard club rules, covered by a protection and indemnity association which is a member of the International Group of Protection and Indemnity Associations (or, if the International Group of Protection and Indemnity Associations ceases to exist, any other leading protection and indemnity association or other leading provider of protection and indemnity insurance) (including, without limitation, the proportion (if any) of any collision liability not covered under the terms of the hull cover), or other with written consent from the Agent;

d. freight, demurrage & defence risks;

e. any other risks against which the Security Trustee considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Security Trustee be reasonable for that Borrower to insure and which are specified by the Security Trustee by notice to that Borrower.

13.3 **Terms of obligatory insurances.** Each Borrower shall effect such insurances in respect of the Ship owned by it:

a. in Dollars;

b. in the case of the insurances described in 13.2(a), (b) and, in the event such other risk is based on vessel value, (e) in an amount on an agreed value basis at least the greater of:

   i. when aggregated with the insured values of the other Ship then financed under this Agreement, 120 per cent. of the aggregate amount of the Loan and the Swap Exposure (if any); and

   ii. the Fair Market Value of the Ship owned by it;

c. in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

d. in relation to protection and indemnity risks in respect of the full tonnage of the Ship owned by it;

e. on approved terms; and

f. through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations that are members of the International Group of Protection and Indemnity Clubs.

13.4 **Further protections for the Creditor Parties.** In addition to the terms set out in Clause 13.3 each Borrower shall procure that the obligatory insurances effected by it shall:

a. subject always to paragraph (b), name that Borrower as the sole named assured unless the interest of every other named assured is limited:

i. in respect of any obligatory insurances for hull and machinery and war risks;

1. to any provable out-of-pocket expenses that it has incurred and which form part of any recoverable claim on underwriters; and

2. to any third party liability claims where cover for such claims is provided by the policy (and then only in respect of discharge of any claims made against it); and

ii. in respect of any obligatory insurances for protection and indemnity risks, to any recoveries it is entitled to make by way of reimbursement following discharge of any third party liability claims made specifically against it;

and every other named assured has undertaken in writing to the Security Trustee (in such form as it requires) that any deductible shall be apportioned between that Borrower and every other named assured in proportion to the gross claims made or paid by each of them and that it shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances;

b. whenever the Security Trustee requires, name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

c. name the Security Trustee as loss payee with such directions for payment as the Security Trustee may specify;

d. provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made without set-off, counterclaim or deductions or condition whatsoever;

e. provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee or any other Creditor Party;

f. provide that the Security Trustee may make proof of loss if that Borrower fails to do so; and

g. provide that the deductible of the hull and machinery insurance is not higher than the amount agreed upon and stated in the loss payable clause.

13.5 **Renewal of obligatory insurances.** Each Borrower shall:

a. at least 21 days before the expiry of any obligatory insurance effected by it:

i. notify the Security Trustee of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom that Borrower proposes to renew that obligatory insurance and of the proposed terms of renewal; and

ii. obtain the Security Trustee's approval to the matters referred to in paragraph (i);

b. at least 14 days before the expiry of any obligatory insurance effected by it, renew that obligatory insurance in accordance with the Security Trustee's approval pursuant to paragraph (a); and

c. procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.

13.6 **Copies of policies; letters of undertaking.** Each Borrower shall ensure that all approved insurance brokers provide the Security Trustee with pro forma copies of all policies relating to the obligatory insurances which

they are to effect or renew and of a letter or letters or undertaking in a form required by the Security Trustee and including undertakings by the approved brokers that:

a. they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 13.4;

b. they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;

c. they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances;

d. they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and

e. they will not set off against any sum recoverable in respect of a claim relating to the Ship owned by that Borrower under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies, or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Security Trustee.

13.7 **Copies of certificates of entry.** Each Borrower shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by it is entered provides the Security Trustee with:

a. a certified copy of the certificate of entry for that Ship;

b. a letter or letters of undertaking in such form as may be required by the Security Trustee; and

c. a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.

13.8 **Deposit of original policies.** Each Borrower shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

13.9 **Payment of premiums.** Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances effected by that Borrower and produce all relevant receipts when so required by the Security Trustee.

13.10 **Guarantees.** Each Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

13.11 **Compliance with terms of insurances.** No Borrower shall do or omit to do (or permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:

a. each Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.6(c)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;

b. no Borrower shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it approved by the underwriters of the obligatory insurances;

c. each Borrower shall make (and promptly supply copies to the Agent of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

d. no Borrower shall employ the Ship owned by it, or allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

13.12 **Alteration to terms of insurances.** No Borrower shall make or agree to any alteration to the terms of any obligatory insurance or waive any right relating to any obligatory insurance.

13.13 **Settlement of claims.** No Borrower shall settle, compromise or abandon any claim under any obligatory insurance effected by it for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

13.14 **Provision of copies of communications.** Each Borrower shall provide the Security Trustee, at the time of each such communication, copies of all written communications between the relevant Borrower and:

a. the approved insurance brokers;

b. the approved protection and indemnity and/or war risks associations; and

c. the approved insurance companies and/or underwriters, which relate directly or indirectly to:

i. that Borrowers' obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

ii. any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) relating wholly or partly to the effecting or maintenance of the obligatory insurances.

13.15 **Provision of information.** In addition, each Borrower shall promptly provide the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) requests for the purpose of:

a. obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected by it; and/or

b. effecting, maintaining or renewing any such insurances as are referred to in Clause 13.16 or dealing with or considering any matters relating to any such insurances;

and the Borrowers shall, forthwith upon demand, indemnify the Security Trustee in respect of all fees and other expenses incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a).

13.16 **Mortgagee's interest, additional perils.** The Security Trustee shall be entitled from time to time to effect, maintain and renew (i) mortgagee's interest additional perils insurance and (ii) mortgagee's interest marine insurance in such amounts, (and on the date of this Agreement, it is expected that such amount will be 120 per cent. of the Loan), on such terms, through such insurers and generally in such manner as the Security Trustee may from time to time consider appropriate and the Borrowers shall upon demand fully indemnify the Security Trustee in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

14. **SHIP COVENANTS**

14.1 **General.** Each Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 14 at all times during the Security Period except as the Agent, with the authorisation of the Majority Lenders (such authorisation not to be unreasonably withheld in the case of Clause 14.13(a)(v)), may otherwise permit.

14.2 **Ship's name and registration.** Each Borrower shall keep the Ship owned by it registered in its name under an Approved Flag; shall not do, omit to do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of any Ship without the prior written approval of the Agent, such approval not to be unreasonably withheld.

14.3 **Repair and classification.** Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair:

a. consistent with first-class ship ownership and management practice;

b. so as to maintain the highest class for that Ship with the Approved Classification Society free of overdue recommendations and conditions affecting that Ship's class; and

c. so as to comply with all laws and regulations applicable to vessels registered under the law of the Approved Flag on which that Ship is registered or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code and the ISPS Code.

14.4 **Classification Society undertaking.** Each Borrower shall instruct the Approved Classification Society:

a. to send to the Security Trustee, following receipt of a written request from the Security Trustee, certified true copies of all original class records held by the Approved Classification Society in relation to the Ship owned by it;

b. to allow the Security Trustee (or its agents), at any time and from time to time, to inspect the original class and related records of that Borrower and the Ship owned by it at the offices of the Approved Classification Society and to take copies of them;

c. to notify the Security Trustee immediately in writing if the Approved Classification Society:

   i. receives notification from that Borrower or any other person that its Ship's Approved Classification Society is to be changed; or

   ii. becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of its Ship's class under the rules or terms and conditions of that Borrowers' or its Ship's membership of the Approved Classification Society;

d. following receipt of a written request from the Security Trustee:

   i. to confirm that such Borrower is not in default of any of its contractual obligations or liabilities to the Approved Classification Society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the Approved Classification Society; or

   ii. if such Borrower is in default of any of its contractual obligations or liabilities to the Approved Classification Society, to specify to the Security Trustee in reasonable detail the facts and circumstances of such default, the consequences of such default, and any remedy period agreed or allowed by the Approved Classification Society.

14.5 **Modification.** No Borrower shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on that Ship which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce its value.

14.6 **Removal of parts.** No Borrower shall remove any material part of the Ship owned by it, or any item of equipment installed on, that Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Security Trustee and becomes on installation on that Ship the property of that Borrower and subject to the security constituted by the Mortgage **Provided that** a Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

14.7 **Surveys.** Each Borrower shall, at its expense submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes with copies of all technical survey reports in respect of surveys carried out by an Approved Ship Manager or other qualified expert duly appointed for such purpose.

14.8 **Inspection.** Each Borrower shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times always without interfering with the normal trading, running, management and operation of the Ship at that Borrowers' expense to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections provided that unless an Event of Default has occurred or that Ship's Approved Classification Society has issued a recommendation or condition affecting that Ship's class, (i) there shall be not more than one such inspection per Ship in each calendar year and (ii) the Borrowers shall not have to pay for more than 1 inspection per Ship in such calendar year. The Security Trustee shall use reasonable efforts not to interfere with the operation of that Ship when exercising its rights under this Clause 14.8.

14.9 **Prevention of and release from arrest.** Each Borrower shall promptly discharge:

a. all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, its Earnings or its Insurances;

b. all taxes, dues and other amounts charged in respect of the Ship owned by it, its Earnings or its Insurances; and

c. all other outgoings whatsoever in respect of the Ship owned by it, its Earnings or its Insurances,

and, forthwith upon receiving notice of the arrest of the Ship owned by it, or of its detention in exercise or purported exercise of any lien or claim, that Borrower shall procure its release by providing bail or otherwise as the circumstances may require.

14.10 **Compliance with laws etc.** Each Borrower shall and shall procure that the Guarantor and the Approved Ship Managers shall:

a. comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws, all Sanctions and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of that Borrower;

b. not employ the Ship owned by it nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code, the ISPS Code, all Environmental Laws and Sanctions; and

c. in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by that Ship's war risks insurers unless the prior written consent of the Security Trustee has been given and that Borrower has or has procured that there is (at its expense) effected any special, additional or modified insurance cover which the Security Trustee may require.

14.11 **Provision of information.** Each Borrower shall promptly provide the Security Trustee with any information which it requests regarding:

a. the Ship owned by it, its employment, position and engagements (including, without limitation, details of the operating performance, employment, positions and engagements of the Ships, annual budgets and projections);

b. the Earnings and payments and amounts due to the master and crew of the Ship owned by it;

c. any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made in respect of that Ship;

d. any towages and salvages; and

e. its compliance, the Approved Ship Manager's, the Approved Sub-Manager's and the compliance by the Ship owned by it with the ISM Code, the ISPS Code, all Environmental Laws and Sanctions,

and, upon the Security Trustee's request, provide copies of any current charter relating to that Ship, of any current charter guarantee and copies of each Borrower or the Approved Ship Manager's or the Approved Sub-Manager's Document of Compliance.

14.12 **Notification of certain events.** Each Borrower shall immediately notify the Security Trustee by fax or email, confirmed forthwith, by letter of:

a. any casualty which is or is likely to be or to become a Major Casualty;

b. any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

c. any requirement or condition made by any insurer or the Approved Classification Society or by any competent authority which is not complied with within the specified time;

d. any arrest or detention of the Ship owned by it, any exercise or purported exercise of any lien on that Ship or its Earnings or any requisition of that Ship for hire;

e. any intended dry docking of the Ship owned by it;

f. any Environmental Claim made against any Security Party or any Borrower or in connection with any Ship, or any Environmental Incident;

g. any claim for breach of the ISM Code, the ISPS Code, any Environmental Laws or Sanctions being made against that Borrower, the Approved Ship Manager, any Approved Sub-Manager or otherwise in connection with the Ship owned by it; or

h. any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code, the ISPS Code, any Environmental Laws or Sanctions not being complied with;

and that Borrower shall keep the Security Trustee advised in writing on a regular basis and in such detail as the Security Trustee shall require of any Borrowers', the Guarantor, the Approved Ship Manager's, the Approved Sub-Manager's or any other person's response to any of those events or matters.

14.13 **Restrictions on chartering, appointment of managers etc.**

a. No Borrower shall, in relation to the Ship owned by it:

i. let that Ship on demise charter for any period;

ii. enter into any time or consecutive voyage charter in respect of that Ship for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months other than charters where the charterer is a member of and/or an Affiliate of the Guarantor or entered into pursuant to an Approved Pooling Arrangement;

iii. enter into any charter in relation to that Ship under which more than 2 months' hire (or the equivalent) is payable in advance;

iv. charter that Ship otherwise than on bona fide arm's length terms at the time when such Ship is fixed;

v. appoint a manager of that Ship other than an Approved Ship Manager or agree to any alteration to the terms of the Approved Ship Manager's appointment;

vi. appoint a classification society for that Ship other than an Approved Classification Society;

vii. de-activate or layup that Ship; or

viii. put that Ship into the possession of any person for the purpose of work being done upon it in an amount exceeding or likely to exceed $500,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any lien on such Ship or its Earnings for the cost of such work or for any other reason.

b. Each Borrower shall procure that, in relation to the Ship owned by it, an Approved Technical Ship Manager shall only appoint a sub-manager in relation to the technical management of that Ship provided that in the case of any such sub-management, the Approved Technical Ship Manager shall continue to remain primarily liable vis-à-vis the relevant Borrower to perform the technical management responsibilities in relation to that Ship and, if so appointed as technical manager of that Ship, such sub-manager shall be appointed on substantially the same terms as the Approved Technical Ship Manager and once appointed as an Approved Sub-Manager, the relevant Borrower shall not and shall procure that the relevant Approved Technical Ship Manager shall not agree to any material alteration to the terms of the relevant Approved Sub-Manager's appointment.

14.14 **Notice of Mortgage.** Each Borrower shall keep the Mortgage registered against the Ship owned by it as a valid first preferred or, as the case may be, priority mortgage, carry on board the Ship owned by it a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of that Ship a framed printed notice stating that such Ship is mortgaged by that Borrower to the Security Trustee.

14.15 **Sharing of Earnings.** No Borrower shall enter into any agreement or arrangement for the sharing of any Earnings of the Ship owned by it provided always that each Ship may be entered into any Approved Pooling Arrangement.

14.16 **ISPS Code.** Each Borrower shall comply with the ISPS Code and in particular, without limitation, shall:

a. procure that its Ship and the company responsible for such Ship's compliance with the ISPS Code comply with the ISPS Code; and

b. maintain for its Ship an ISSC; and

c. notify the Agent immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC.

14.17 **Copies of Charter; Charterparty Assignment**. Provided that the relevant Borrower has obtained the prior permission of the Agent necessary under Clause 14.13(a)(ii), that Borrower shall:

a. furnish promptly to the Agent a true and complete copy of any Charter for the Ship owned by it, all other documents related thereto including, without limitation, any guarantee of such Charter and a true and complete copy of each material amendment or other modification thereof; and

b. in respect of any such Charter, execute and deliver to the Agent a Charterparty Assignment and deliver to the Agent a consent and acknowledgement executed by the charterer and any related charter guarantor and such other documents equivalent to those referred to in paragraphs 4, 5 and 6 of Part A of Schedule 4 as the Agent may require.

14.18 **Change of Approved Ship Manager**. If, in accordance with the terms of this Agreement, there is a change of Approved Ship Manager, Approved Sub-Manager or the appointment of an Approved Sub-Manager, the Borrower owning the relevant Ship shall:

a. promptly provide the Agent with a copy of the management agreement pursuant to which such Approved Ship Manager or Approved Sub-Manager is to be appointed; and

b. the new Approved Ship Manager or Approved Sub-Manager, as the case may be, shall provide to the Agent on or prior to the commencement of its appointment, an Approved Ship Manager's Undertaking.

14.19 **Green Passport**. Each Borrower shall procure that the Ship owned by it has obtained a Green Passport, or equivalent document acceptable to the Agent, in respect of that Ship which shall be maintained throughout the Security Period.

14.20 **Green scrapping**. The Borrowers shall and shall procure that the Guarantor shall maintain a policy that provides that any ship owned by any member of the SBI Group and which are to be scrapped shall be scrapped in compliance with (i) the International Maritime Organization's convention for the Safe and Environmentally Sound Recycling of ships to the extent that are issued and in force at the time of such scrapping and (ii) the guidelines to be issued by the International Maritime Organization in connection with such convention.

14.21 **No variation, release etc. of MOA.** No Borrower shall, whether by a document, by conduct, by acquiescence or in any other way agree to material amendments or additions to any MOA (and in this context, reference should be made to Clause 10.27 when determining what constitutes 'material' for these purposes), nor has any Borrower waived any of their respective rights under any MOA in either case, without the prior approval of the Agent (acting on the instructions of the Lenders acting reasonably)**.**

14.22 **Provision of information relating to MOA.** Each Borrower shall:

a. immediately inform the Agent if any breach of the MOA to which it is a party occurs and of any other event or matter affecting the MOA to which it is a party which has or is reasonably likely to have a Material Adverse Effect; and

b. upon the reasonable request of the Agent, keep the Agent informed as to any notice of readiness of delivery of the relevant Ship.

14.23 **No assignment etc. of MOA.** No Borrower shall assign, novate, transfer or dispose of any of its rights or obligations under the MOA to which it is a party without the prior approval of the Agent (acting on the instructions of the Lenders acting reasonably).

15. **SECURITY COVER**

15.1 **Minimum required security cover.** Clause 15.2 applies if the Agent notifies the Borrowers that:

a. the aggregate of the Fair Market Value of the Ships; plus

b. the net realisable value of any additional security previously provided under this Clause 15,

is below 140 per cent. of the Loan.

15.2 **Provision of additional security; prepayment**. If the Agent serves a notice on the Borrowers under Clause 15.1, the Borrowers shall prepay such part (at least) of the Loan as will eliminate the shortfall on or before the date falling 7 days after the date on which the Agent's notice is served under Clause 15.1 (the "**Prepayment Date**") unless at least 1 Business Day before the Prepayment Date they have provided, or ensured that a third party has provided, additional security which, in the opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and which has been documented in such terms as the Agent may, with the authorisation of the Majority Lenders, approve or require.

15.3 **Valuation of Ship.** The market value of a Ship at any date is that shown by:

a. the arithmetic average of 2 valuations each prepared by an Approved Broker selected by the Agent acting upon the instructions of all the Lenders;

b. as at a date not more than 14 days prior to the date such valuation is delivered to the Agent by such Approved Broker;

c. with or without physical inspection of that Ship (as the Agent may require);

d. on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

e. after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

15.4 **Value of additional vessel security.** The net realisable value of any additional security which is provided under Clause 15.2 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 15.3.

15.5 **Valuations binding.** Any valuation under Clause 15.2, 15.3 or 15.4 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Majority Lenders make of any additional security which does not consist of or include a Security Interest.

15.6 **Provision of information.** The Borrowers shall promptly provide the Agent and any Approved Broker acting under Clause 15.3 or 15.4 with any information which the Agent or the Approved Broker may request for the purposes of the valuation; and, if the Borrowers fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Majority Lenders (or the expert appointed by them) consider prudent.

15.7 **Payment of valuation expenses.** Without prejudice to the generality of the Borrowers' obligations under Clauses 20.2, 20.3 and 21.3, the Borrowers shall, subject to Clause 15.8, on demand, pay the Agent the amount of the fees and expenses of any Approved Broker instructed by the Agent under this Clause and all legal and other expenses incurred by any Creditor Party in connection with any matter arising out of this Clause.

15.8 **Frequency of valuations.**

a. The Borrowers shall provide the valuations of each Ship required pursuant to paragraph 4 of Part B of Schedule 4 at the Borrowers' expense;

b. the Agent shall be entitled to obtain 2 valuations per Ship during each half of each Fiscal Year of the Guarantor commencing with valuation to be provided on 30 June 2018 (such valuations to be attached to the Compliance Certificates for the relevant fiscal quarter to be provided by the Guarantor) setting forth the Fair Market Value of each Ship in each case at the cost of the Borrowers save that the Borrowers shall not be required to pay for more than 2 valuations per Ship in each calendar year unless an Event of Default has occurred or any valuation obtained would entitle the Agent to serve a notice pursuant to Clause 15.1 in which case such valuations required by the Agent shall be for the cost of the Borrowers; and

c. the Agent shall be entitled, at its own expense, to obtain valuations of each Ship other than those referred to in paragraphs (a) and (b) above as often as it may request.

15.9 **Application of prepayment.** Clause 8 shall apply in relation to any prepayment pursuant to Clause 15.2.

15.10 **Release of Additional Security**. It is agreed that where a Borrower or a third party has provided additional security pursuant to Clause 15.2, the Borrowers are entitled to request the release of such additional security at their expense at any time following a testing of compliance by the Borrowers of the minimum required security cover under Clause 15.1 where the Borrowers are shown to have been in compliance with such minimum required security cover for at least 90 consecutive days (without including the additional security within the calculation) and where the Borrowers are in compliance with the minimum required security cover under Clause 15.1, such additional security shall be released at the Borrowers' cost.

16. **PAYMENTS AND CALCULATIONS**

16.1 **Currency and method of payments.** All payments to be made by the Lenders or by any Borrower and any Security Party under a Finance Document shall be made to the Agent or to the Security Trustee, in the case of an amount payable to it:

a. by not later than 11.00 a.m. (New York City time) on the due date;

b. in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement);

c. in the case of an amount payable by a Lender to the Agent or by any Borrower or another Security Party to the Agent or any Lender, to the account of the Agent at The Bank of New York, New York at 1290 Avenue of Americas, Floor 5, New York NY10104 (Account: NIBC Bank NV, Account No 890 064 7140, BIC: IRVTUS3N, Reference: SBI Cougar Shipping Company Limited), or to such other account with such other bank as the Agent may from time to time notify to the Borrowers and the other Creditor Parties; and

d. in the case of an amount payable to the Security Trustee, to such account as it may from time to time notify to the Borrowers and the other Creditor Parties.

16.2 **Payment on non-Business Day.** If any payment by any Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

a. the due date shall be extended to the next succeeding Business Day; or

b. if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day;

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

16.3 **Basis for calculation of periodic payments.** All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

16.4 **Distribution of payments to Creditor Parties.** Subject to Clauses 16.5, 16.6 and 16.7:

a. any amount received by the Agent under a Finance Document for distribution or remittance to a Lender, a Swap Counterparty or the Security Trustee shall be made available by the Agent to that Lender, that Swap Counterparty or, as the case may be, the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender and the Swap Counterparty or the Security Trustee may have notified to the Agent not less than 5 Business Days previously; and

b. amounts to be applied in satisfying amounts of a particular category which are due to the Lenders and/or the Swap Counterparties generally shall be distributed by the Agent to each Lender and each Swap Counterparty pro rata to the amount in that category which is due to it.

16.5 **Permitted deductions by Agent.** Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent may, before making an amount available to a Lender or a Swap Counterparty, deduct and withhold from that amount any sum which is then due and payable to the Agent from that Lender or that Swap Counterparty under any Finance Document or any sum which the Agent is then entitled under any Finance Document to require that Lender or that Swap Counterparty to pay on demand.

16.6 **Agent only obliged to pay when monies received.** Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent shall not be obliged to make available to any Borrower or any Lender or any Swap Counterparty any sum which the Agent is expecting to receive for remittance or distribution

to that Borrower or that Lender or that Swap Counterparty until the Agent has satisfied itself that it has received that sum.

16.7 **Refund to Agent of monies not received.** If and to the extent that the Agent makes available a sum to any Borrower or a Lender or a Swap Counterparty, without first having received that sum, that Borrower or (as the case may be) the Lender or the Swap Counterparty concerned shall, on demand:

a. refund the sum in full to the Agent; and

b. pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding or other loss, liability or expense incurred by the Agent as a result of making the sum available before receiving it.

16.8 **Agent may assume receipt.** Clause 16.7 shall not affect any claim which the Agent has under the law of restitution, and applies irrespective of whether the Agent had any form of notice that it had not received the sum which it made available.

16.9 **Creditor Party accounts.** Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

16.10 **Agent's memorandum account.** The Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Agent, the Security Trustee and each Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

16.11 **Accounts prima facie evidence.** If any accounts maintained under Clauses 16.9 and 16.10 show an amount to be owing by any Borrower or a Security Party to a Creditor Party, those accounts shall be prima facie evidence that that amount is owing to that Creditor Party.

17. **APPLICATION OF RECEIPTS**

17.1 **Normal order of application.** Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document shall be applied:

a. FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents and the Master Agreements in the following order and proportions:

i. first, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents and the Swap Counterparties under any Master Agreement other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 20, 21 and 22 of this Agreement or by any Borrower or any Security Party under any corresponding or similar provision in any other Finance Document or in any Master Agreement);

ii. secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents and the Master Agreements (and, for this purpose, the expression "**interest**" shall include any net amount which any Borrower shall have become liable to pay or deliver under section 2(e) (Obligations) of any Master Agreement but shall have failed to pay or deliver to the relevant Swap Counterparty at the time of application or distribution under this Clause 17); and

iii. thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure of each Swap Counterparty (in the case of the latter, calculated as at the actual Early Termination Date applying to each particular Designated Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

b. SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document or any Master Agreement but which the Agent, by notice to the Borrowers, the Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the provisions of Clause 17.1(a); and

c. THIRDLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

17.2 **Variation of order of application.** The Agent may, with the authorisation of the Majority Lenders and the Swap Counterparties, by notice to the Borrowers, the Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 17.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

17.3 **Notice of variation of order of application.** The Agent may give notices under Clause 17.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

17.4 **Appropriation rights overridden.** This Clause 17 and any notice which the Agent gives under Clause 17.2 shall override any right of appropriation possessed, and any appropriation made, by the Borrowers or any Security Party.

18. APPLICATION OF EARNINGS

18.1 **Payment of Earnings.** Each Borrower undertakes with each Creditor Party to ensure that, throughout the Security Period (subject only to the provisions of the General Assignment), all the Earnings of each Ship are paid to the Earnings Account for that Ship.

18.2 **Application of Earnings.** Each Borrower undertakes with the Lenders to procure that money from time to time credited to, or for the time being standing to the credit of, an Earnings Account shall, unless and until an Event of Default shall have occurred and for so long as the same is continuing (whereupon the provisions of Clause 17.1 shall be and become applicable), be available to the Borrower.

18.3 **Location of accounts.** The Borrowers shall promptly:

a. comply with any requirement of the Agent as to the location or re-location of the Earnings Accounts (or any of them); and

b. execute any documents which the Agent specifies to create or maintain in favour of the Security Trustee a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Earnings Accounts (or any of them).

18.4 **Debits for expenses etc.** The Agent shall be entitled (but not obliged) from time to time to debit any Earnings Account without prior notice in order to discharge any amount due and payable under Clause 20 or 21 to a Creditor Party or payment of which any Creditor Party has become entitled to demand under Clause 20 or 21.

18.5 **Borrowers' obligations unaffected.** The provisions of this Clause 18 do not affect:

a. the liability of the Borrowers to make payments of principal and interest on the due dates; or

b. any other liability or obligation of the Borrowers or any Security Party under any Finance Document.

19. EVENTS OF DEFAULT

19.1 **Events of Default.** An Event of Default occurs if:

a. any Borrower or any Security Party fails to pay when due any sum payable under a Finance Document or under any document relating to a Finance Document unless its failure to pay is caused by a Disruption Event and payment is made within 3 Business Days of its due date; or

b. any breach occurs of Clause 9.2, 11.2, 11.3, 12, 13.2 or 15.2; or

c. any breach occurs of clause 12 (*Financial Covenants*) of the Guarantee, and such default continues unremedied 15 days after written notice from the Agent to the Borrowers and the Guarantor requesting action to remedy the same; or

d. any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b)) which, in the opinion of the Majority Lenders, is capable of remedy, and such default continues remedied 10 days after written notice from the Agent requesting action to remedy the same; or

e. (subject to any applicable grace period specified in the Finance Document) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach falling within paragraphs (a), (b) or (c)); or

f. any representation, warranty or statement made or repeated by, or by an officer of, a Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made or repeated; or

g. any of the following occurs in relation to any Financial Indebtedness of the Guarantor exceeding $10,000,000 in aggregate or, in the case of each Borrower, $500,000 (or in either case, the equivalent in any other currency):

   i. any Financial Indebtedness of that Relevant Person is not paid when due; or

   ii. any Financial Indebtedness of that Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

   iii. a lease, hire purchase agreement or charter creating any Financial Indebtedness of that Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

   iv. any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of that Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

   v. any Security Interest securing any Financial Indebtedness of that Relevant Person becomes enforceable; or

h. any of the following occurs in relation to a Relevant Person:

   i. a Relevant Person becomes unable to pay its debts as they fall due; or

   ii. any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $10,000,000 in the case of the Guarantor and $500,000 in the case of each Borrower and any other Security Party or more or the equivalent in another currency; or

   iii. any administrative or other receiver is appointed over any asset of a Relevant Person; or

   iv. an administrator is appointed (whether by the court or otherwise) in respect of a Relevant Person; or

   v. any formal declaration of bankruptcy or any formal statement to the effect that a Relevant Person is insolvent or likely to become insolvent is made by a Relevant Person or by the directors of a Relevant Person or, in any proceedings, by a lawyer acting for a Relevant Person; or

   vi. a provisional liquidator is appointed in respect of a Relevant Person, a winding up order is made in relation to a Relevant Person or a winding up resolution is passed by a Relevant Person; or

vii. a resolution is passed, an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by (a) a Relevant Person, (bb) the members or directors of a Relevant Person, (cc) a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person, or (did) a government minister or public or regulatory authority of a Pertinent Jurisdiction for or with a view to the winding up of that or another Relevant Person or the appointment of a provisional liquidator or administrator in respect of that or another Relevant Person, or that or another Relevant Person ceasing or suspending business operations or payments to creditors, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Guarantor or a Borrower which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or

viii. an administration notice is given or filed, an application or petition to a court is made or presented or any other step is taken by a creditor of a Relevant Person (other than a holder of Security Interests which together relate to all or substantially all of the assets of a Relevant Person) for the winding up of a Relevant Person or the appointment of a provisional liquidator or administrator in respect of a Relevant Person in any Pertinent Jurisdiction, unless the proposed winding up, appointment of a provisional liquidator or administration is being contested in good faith, on substantial grounds and not with a view to some other insolvency law procedure being implemented instead and either (a) the application or petition is dismissed or withdrawn within 30 days of being made or presented, or (bb) within 30 days of the administration notice being given or filed, or the other relevant steps being taken, other action is taken which will ensure that there will be no administration and (in both cases (a) or (bb)) the Relevant Person will continue to carry on business in the ordinary way and without being the subject of any actual, interim or pending insolvency law procedure; or

ix. a Relevant Person or its directors take any steps (whether by making or presenting an application or petition to a court, or submitting or presenting a document setting out a proposal or proposed terms, or otherwise) with a view to obtaining, in relation to that or another Relevant Person, any form of moratorium, suspension or deferral of payments, reorganisation of debt (or certain debt) or arrangement with all or a substantial proportion (by number or value) of creditors or of any class of them or any such moratorium, suspension or deferral of payments, reorganisation or arrangement is effected by court order, by the filing of documents with a court, by means of a contract or in any other way at all; or

x. any meeting of the members or directors, or of any committee of the board or senior management, of a Relevant Person is held or summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iv) to (ix) or a step preparatory to such action, or (with or without such a meeting) the members, directors or such a committee resolve or agree that such an action or step should be taken or should be taken if certain conditions materialise or fail to materialise; or

xi. in a Pertinent Jurisdiction other than England, any event occurs, any proceedings are opened or commenced or any step is taken which, in the opinion of the Majority Lenders acting reasonably is similar to any of the foregoing.

i. any Borrower or the Guarantor ceases or suspends carrying on its business or a part of its business which is material in the context of this Agreement; or

j. it becomes unlawful in any Pertinent Jurisdiction or impossible:

i. for any Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Majority Lenders consider material under a Finance Document;

ii. for the Agent, the Security Trustee, the Lenders or the Swap Banks to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

k. any consent necessary to enable any Borrower to own, operate or charter the Ship owned by it or to enable such Borrower or any other Security Party to comply with any provision which the Majority Lenders consider material of a Finance Document or the Shipbuilding Contract to which it is a party is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

l. any provision which the Majority Lenders consider material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest and which in each case such default continues unremedied 15 days after written notice from the Agent requesting action to remedy the same; or

m. the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

n. an Event of Default (as defined in section 14 of a Master Agreement) occurs; or

o. a Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Agent, acting with the authorisation of the Majority Lenders; or

p. any of the Ships ceases to be employed by the relevant Approved Ship Manager or Approved Sub-Manager on terms acceptable to the Agent or any of the circumstances described in Clause 19.1(h) or (i) occurs (*mutatis mutandis*) in relation to an Approved Ship Manager or Approved Sub-Manager or an Approved Ship Manager or an Approved Sub-Manager breaches any provision of its Approved Ship Manager's Undertaking which the Agent considers material and the relevant Borrower fails within a period of 15 days of it becoming aware of the occurrence of such circumstance or breach or of the receipt of a written notification from the Agent requesting the relevant Borrower to remedy such circumstances or breach either to remedy such circumstances or breach or to substitute the relevant Approved Ship Manager or Approved Sub-Manager with another Approved Ship Manager or an Approved Sub-Manager which executes and delivers to the Security Trustee a replacement Approved Ship Manager's Undertaking; or

q. an event or circumstance occurs which has or is reasonably likely to have a Material Adverse Effect; or

r. any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced in relation to any of the Finance Documents or the transactions contemplated in any of the Finance Documents or against any Borrower or the Guarantor or its assets which has or is reasonably likely to have a Material Adverse Effect; or

s. any Borrower (or any other relevant party) rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or evidences an intention to rescind or repudiate a Finance Document; or

t. the Guarantor is delisted from the New York Stock Exchange.

19.2 **Actions following an Event of Default.** On, or at any time after, the occurrence of an Event of Default which is continuing:

a. the Agent may, and if so instructed by the Majority Lenders, the Agent shall:

i. serve on the Borrowers a notice stating that all or part of the Commitments and of the other obligations of each Lender to the Borrowers under this Agreement are cancelled; and/or

ii. serve on the Borrowers a notice stating that all or part of the Loan together with accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

iii. take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii), the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law; and/or

b. the Security Trustee may, and if so instructed by the Agent, acting with the authorisation of the Majority Lenders, the Security Trustee shall take any action which, as a result of the Event of Default or any notice served under paragraph (a) (i) or (ii), the Security Trustee, the Agent and/or the Lenders and/or the Swap Counterparties are entitled to take under any Finance Document or any applicable law.

19.3 **Termination of Commitments.** On the service of a notice under Clause 19.2(a)(i), the Commitments and all other obligations of each Lender to the Borrowers under this Agreement shall be cancelled.

19.4 **Acceleration of Loan.** On the service of a notice under Clause 19.2(a)(i), all or, as the case may be, the part of the Loan specified in the notice together with accrued interest and all other amounts accrued or owing from the Borrowers or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

19.5 **Multiple notices; action without notice.** The Agent may serve notices under Clauses 19.2(a)(i) and (ii) simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in Clause 19.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

19.6 **Notification of Creditor Parties and Security Parties.** The Agent shall send to each Lender, each Swap Counterparty, the Security Trustee and each Security Party a copy or the text of any notice which the Agent serves on the Borrowers under Clause 19.2; but the notice shall become effective when it is served on the Borrowers, and no failure or delay by the Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide any Borrower or any Security Party with any form of claim or defence.

19.7 **Creditor Party rights unimpaired.** Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders or Swap Counterparties under a Finance Document, a Master Agreement or the general law; and, in particular, this Clause is without prejudice to Clause 3.1.

19.8 **Exclusion of Creditor Party liability.** No Creditor Party, and no receiver or manager appointed by the Security Trustee, shall have any liability to a Borrower or a Security Party:

a. for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

b. as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt a Creditor Party or a receiver or manager from liability for losses shown to have been directly and mainly caused by the dishonesty or the wilful misconduct of such Creditor Party's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

19.9 **Relevant Persons.** In this Clause 19, a "**Relevant Person**" means the Borrowers and any Security Party.

19.10 **Interpretation.** In Clause 19.1(g) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 19.1(h) "**petition**" includes an application.

19.11 **Position of Swap Counterparties.** Neither the Agent nor the Security Trustee shall be obliged, in connection with any action taken or proposed to be taken under or pursuant to the foregoing provisions of this Clause 19, to have any regard to the requirements of a Swap Counterparty except to the extent that such Swap Counterparty is also a Lender.

20. **FEES AND EXPENSES**

20.1 **Arrangement, commitment fees.** The Borrowers shall pay to the Agent:

a. on or prior to the date of this Agreement, an arrangement fee in an amount referred to in the Fee Letter; and

b. quarterly in arrears during the period from (and including) the date of this Agreement to the earlier of (i) the second Drawdown Date and (ii) the end of the Availability Period and on the last day of that period, for the account of the Lenders, a commitment fee at the rate of 35 per cent. per annum on the amount of the Margin on the Total Commitments less the amount of the Loan, for distribution among the Lenders pro rata to their Commitments.

20.2 **Costs of negotiation, preparation etc.** The Borrowers shall pay to the Agent on its demand the amount of all expenses incurred by the Agent or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

20.3 **Costs of variations, amendments, enforcement etc.** The Borrowers shall pay to the Agent, on the Agent's demand, for the account of the Creditor Party concerned, the amount of all expenses incurred by a Creditor Party in connection with:

a. any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

b. any consent or waiver by the Lenders, the Swap Banks, the Majority Lenders or the Creditor Party concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

c. the valuation of any security provided or offered under Clause 15 or any other matter relating to such security; or

d. any step taken by the Lender or the Swap Bank concerned with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

20.4 **Documentary taxes.** The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Agent's demand, fully indemnify each Creditor Party against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers to pay such a tax.

20.5 **Financial Services Authority fees.** The Borrowers shall pay to the Agent, on the Agent's demand, for the account of the Lender concerned the amounts which the Agent from time to time notifies the Borrowers that a Lender has notified the Agent to be necessary to compensate it for the cost attributable to its Contribution resulting from the imposition from time to time under or pursuant to the Bank of England Act 1998 and/or by the Bank of England and/or by the Financial Services Authority (or other United Kingdom governmental authorities or agencies) of a requirement to pay fees to the Financial Services Authority calculated by reference to liabilities used to fund its Contribution.

20.6 **Certification of amounts.** A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21. **INDEMNITIES**

21.1 **Indemnities regarding borrowing and repayment of Loan.** The Borrowers shall fully indemnify the Agent and each Lender on the Agent's demand and the Security Trustee on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

a. a Tranche not being borrowed on the date specified in the Drawdown Notice relating to such Tranche for any reason other than a default by the Lender claiming the indemnity;

b. the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

c. any failure (for whatever reason) by the Borrowers to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrowers on the amount concerned under Clause 7);

d. the occurrence of an Event of Default or a Latent Event of Default and/or the acceleration of repayment of the Loan under Clause 19;

and in respect of any tax (other than any FATCA Deduction or a tax on its overall net income) for which a Creditor Party is liable in connection with any amount paid or payable to that Creditor Party (whether for its own account or otherwise) under any Finance Document.

21.2 **Breakage costs.** Without limiting its generality, Clause 21.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by a Lender:

a. in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount); and

b. in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender concerned) to hedge any exposure arising under this Agreement or that part which the Lender concerned determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating, or otherwise in connection with, a number of transactions of which this Agreement is one.

21.3 **Miscellaneous indemnities.** The Borrowers shall fully indemnify each Creditor Party severally on their respective demands in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by a Creditor Party, in any country, as a result of or in connection with:

a. any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Agent, the Security Trustee or any other Creditor Party or by any receiver appointed under a Finance Document; or

b. any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or wilful misconduct of the officers or employees of the Creditor Party concerned.

Without prejudice to its generality, this Clause 21.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code, any Environmental Law.

21.4 **Currency indemnity.** If any sum due from any Borrower or any Security Party to a Creditor Party under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the "**Contractual Currency**") into another currency (the "**Payment Currency**") for the purpose of:

a. making or lodging any claim or proof against any Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

b. obtaining an order or judgment from any court or other tribunal; or

c. enforcing any such order or judgment,

the Borrowers shall indemnify the Creditor Party concerned against the loss arising when the amount of the payment actually received by that Creditor Party is converted at the available rate of exchange into the Contractual Currency.

In this Clause 21.4, the "**available rate of exchange**" means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 21.4 creates a separate liability of the Borrowers which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

21.5 **Mandatory Cost.** Each Borrower shall, on demand by the Agent, pay to the Agent for the account of the relevant Lender, such amount which any Lender certifies in a notice to the Agent to be its good faith determination of the amount necessary to compensate it for complying with:

a. in the case of a Lender lending from a Facility Office in a Participating Member State, the minimum reserve requirements (or other requirements having the same or similar purpose) of the European Central Bank or any other authority or agency which replaces all or any of its functions in respect of loans made from that Facility Office; and

b. in the case of any Lender lending from a Facility Office in the United Kingdom, any reserve asset, special deposit or liquidity requirements (or other requirements having the same or similar purpose) of the Bank of England (or any other governmental authority or agency) and/or paying any fees to the Financial Conduct Authority and/or the Prudential Regulation Authority (or any other governmental authority or agency which replaces all or any of their functions),

which, in each case, is referable to that Lender's participation in the Loan.

21.6 **Application to Master Agreements.** For the avoidance of doubt, Clause 21.4 does not apply in respect of sums due from any Borrower to a Swap Counterparty under or in connection with a Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of that Master Agreement shall apply.

21.7 **Certification of amounts.** A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21.8 **Sums deemed due to a Lender.** For the purposes of this Clause 21, a sum payable by the Borrowers to the Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender.

22. **NO SET-OFF OR TAX DEDUCTION**

22.1 **No deductions.** All amounts due from the Borrowers or any Security Party under a Finance Document or any the Master Agreement shall be paid:

a. without any form of set-off, cross-claim or condition; and

b. free and clear of any tax deduction except a tax deduction which any Borrower or such Security Party is required by law to make.

22.2 **Grossing-up for taxes.** If any Borrower or any Security Party is required by law to make a tax deduction from any payment under a Finance Document or the Master Agreement (other than a FATCA Deduction):

a. such Borrower or such Security Party (as the case may be) shall notify the Agent as soon as it becomes aware of the requirement;

b. such Borrower or such Security Party (as the case may be) shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises; and

c. the amount due in respect of the payment shall be increased by the amount necessary to ensure that each Creditor Party receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

22.3 **Evidence of payment of taxes.** Within 1 month after making any tax deduction, the Borrowers shall deliver to the Agent documentary evidence satisfactory to the Agent that the tax had been paid to the appropriate taxation authority.

22.4 **Exclusion of tax on overall net income.** In this Clause 22 "**tax deduction**" means any deduction or withholding for or on account of any present or future tax except tax on a Creditor Party's overall net income.

22.5 **FATCA Deduction.** Each party to this Agreement 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 to this Agreement 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. Each party to this Agreement 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 this Agreement to whom it is making the payment and, in addition, shall notify the Borrowers, the Agent and the other Creditor Parties.

22.6 **Stamp taxes.** The Borrowers shall pay and, within 3 Business Days of demand, indemnify each Creditor Party against any cost, loss or liability which that Creditor Party incurs in relation to all stamp duty, registration and other similar taxes payable in respect of any Finance Document or any Master Agreement.

22.7 **Application to Master Agreements.** For the avoidance of doubt, Clause 22 does not apply in respect of sums due from a Borrower to a Swap Counterparty under or in connection with a Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of that Master Agreement shall apply.

22.8 **FATCA Information**

a. Subject to paragraph (c) below, each Party shall, within 10 Business Days of a reasonable request by another Party:

i. confirm to that other Party whether it is:

1. a FATCA Exempt Party; or

2. not a FATCA Exempt Party; and

ii. supply to that other Party such forms, documentation and other information relating to its status under FATCA (including its applicable "passthru payment percentage" or other information required under the US Treasury Regulations or other official guidance including intergovernmental agreements) as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA.

b. If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

c. Paragraph (a) above shall not oblige any Creditor Party to do anything which would or might in its reasonable opinion constitute a breach of:

i. any law or regulation;

ii. any fiduciary duty; or

iii. any duty of confidentiality.

d. If a Party fails to confirm its status or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) above applies), then:

i. if that Party failed to confirm whether it is (and/or remains) a FATCA Exempt Party then such Party shall be treated for the purposes of the Finance Documents as if it is not a FATCA Exempt Party; and

ii. if that Party failed to confirm its applicable "passthru payment percentage" then such Party shall be treated for the purposes of the Finance Documents (and payments made thereunder) as if its applicable "passthru payment percentage" is 100%,

until (in each case) such time as the Party in question provides the requested confirmation, forms, documentation or other information.

23. **ILLEGALITY, ETC**

23.1 **Illegality.** This Clause 23 applies if a Lender (the "**Notifying Lender**") notifies the Agent that it has become, or will with effect from a specified date, become:

a. unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

b. contrary to, or inconsistent with, any regulation,

for the Notifying Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

23.2 **Notification of illegality.** The Agent shall promptly notify the Borrowers, the Security Parties, the Security Trustee and the other Lenders of the notice under Clause 23.1 which the Agent receives from the Notifying Lender.

23.3 **Prepayment; termination of Commitment.** On the Agent notifying the Borrowers under Clause 23.2, the Notifying Lender's Commitment shall terminate; and thereupon or, if later, on the date specified in the Notifying Lender's notice under Clause 23.1 as the date on which the notified event would become effective the Borrowers shall prepay the Notifying Lender's Contribution in accordance with Clause 8.

23.4 **Mitigation**. If circumstances arise which would result in a notification under Clause 23.1 then, without in any way limiting the rights of the Notifying Lender under Clause 23.3, the Notifying Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the circumstances but the Notifying Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

a. have an adverse effect on its business, operations or financial condition; or

b. involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

c. involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

24. **INCREASED COSTS**

24.1 **Increased costs.** This Clause 24 applies if a Lender (the "**Notifying Lender**") notifies the Agent that the Notifying Lender considers that as a result of:

a. the introduction or alteration after the date of this Agreement of a law or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Notifying Lender's overall net income); or

b. the effect of complying with any law or regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement; or

c. the implementation or application of or compliance with IFRS9 or any other changes in relevant reporting standards, Basel III or CRD IV or any law or regulation that implements or applies IFRS9, Basel III, CRR or CRD IV,

the Notifying Lender (or a parent company of it) has incurred or will incur an "**increased cost**".

24.2 **Meaning of "increased costs", "Basel III", "CRD IV", "CRR" and "IFRS 9".** In this Clause 24:

i. "**Basel III**" means:

1. 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;

2. 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

3. any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III";

a. "**CRD IV**" means:

1. 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;

2. 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; and

3. any other law or regulation which implements Basel III;

b. "**CRR**" means Regulation (EU) No 575/2013 of the European Union on prudential requirements for credit institutions and investment firms;

c. "**IFRS 9**" means the International Financial Reporting Standard (IFRS) by the International Accounting Standards Board designated "IFRS 9" and replacing "IAS 39"; and

d. "**increased costs**" means, in relation to a Notifying Lender:

i. an additional or increased cost incurred as a result of, or in connection with, the Notifying Lender having entered into, or being a party to, this Agreement or having taken an assignment of rights under this Agreement, of funding or maintaining its Commitment or Contribution or performing its obligations under this Agreement, or of having outstanding all or any part of its Contribution or other unpaid sums;

ii. a reduction in the amount of any payment to the Notifying Lender under this Agreement or in the effective return which such a payment represents to the Notifying Lender or on its capital;

iii. an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Notifying Lender's Contribution or (as the case may require) the proportion of that cost attributable to the Contribution; or

iv. a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender after providing evidence of its method of calculation to quantify such increased costs under this Agreement,

but not an item attributable to a FATCA Deduction required to be made by a Party.

For the purposes of this Clause 24.2 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

24.3 **Notification to Borrowers of claim for increased costs.** The Agent shall promptly notify the Borrowers and the Security Parties of the notice which the Agent received from the Notifying Lender under Clause 24.1.

24.4 **Payment of increased costs.** The Borrowers shall pay to the Agent, on the Agent's demand, for the account of the Notifying Lender the amounts which the Agent from time to time notifies the Borrowers that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

24.5 **Notice of prepayment.** If a Borrower is not willing to continue to compensate the Notifying Lender for the increased cost under Clause 24.4, that Borrower may give the Agent not less than 14 days' notice of its intention to prepay the Notifying Lender's Contribution at the end of an Interest Period.

24.6 **Prepayment; termination of Commitment.** A notice under Clause 24.5 shall be irrevocable; the Agent shall promptly notify the Notifying Lender of the Borrowers' notice of intended prepayment; and:

a. on the date on which the Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and

b. on the date specified in its notice of intended prepayment, the Borrowers shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

24.7 **Application of prepayment.** Clause 8 shall apply in relation to the prepayment.

25. **SET-OFF**

25.1 **Application of credit balances.** Each Creditor Party may without prior notice:

a. apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of that Borrower at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from that Borrower to that Creditor Party under any of the Finance Documents; and

b. for that purpose:

i. break, or alter the maturity of, all or any part of a deposit of that Borrower;

ii. convert or translate all or any part of a deposit or other credit balance into Dollars; and

iii. enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

25.2 **Existing rights unaffected.** No Creditor Party shall be obliged to exercise any of its rights under Clause 25.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts,

charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

25.3 **Sums deemed due to a Lender.** For the purposes of this Clause 25, a sum payable by that Borrower to the Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

25.4 **No Security Interest.** This Clause 25 gives the Creditor Parties a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of that Borrower.

26. **TRANSFERS AND CHANGES IN LENDING OFFICES**

26.1 **Transfer by Borrower.** No Borrower may, without the prior written consent of the Agent, given on the instructions of all the Lenders transfer any of its rights, liabilities or obligations under any Finance Document.

26.2 **Transfer by a Lender.** Subject to Clause 26.5 a Lender (the "**Transferor Lender**") may at any time, with:

a. the consent of the Borrowers (such consent not to be unreasonably withheld or delayed and such consent deemed to be given if the Borrowers do not expressly refuse their consent within 5 Business Days of a request by a Lender); and

b. the prior approval of the Agent,

cause:

i. its rights in respect of all or part of its Contribution; or

ii. its obligations in respect of all or part of its Commitment; or

iii. a combination of (i) and (ii),

to be (in the case of its rights) transferred to, or (in the case of its obligations) assumed by, another bank or financial institution or 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 and which is FATCA compliant (a "**Transferee Lender**") or the securitisation or similar transaction of that Transferor Lender's Contribution of Commitment by delivering to the Agent a completed certificate in the form set out in Schedule 5 with any modifications approved or required by the Agent (a "**Transfer Certificate**") executed by the Transferor Lender and the Transferee Lender,

Provided that the consent of the Borrowers shall not be required where:

iv. the Transferee Lender (A) a bank or financial institution, (B) is an existing Lender or an Affiliate of an existing Lender, (C) 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, which is advised by, or the assets of which are managed by the NIBC Bank N.V. or, (D) a bank or financial institution which has, at any time previously, been a lender under this Agreement; or

v. an Event of Default has occurred and is continuing; or

vi. the transfer is related to a securitisation or similar transaction in respect of the relevant Transferor Lender's Contribution or Commitment (in which case, no prior notice to any Borrower or any Security Party is required).

However any rights and obligations of the Transferor Lender in its capacity as Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Deed.

26.3 **Transfer Certificate, delivery and notification.** As soon as reasonably practicable after a Transfer Certificate is delivered to the Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

a. sign the Transfer Certificate on behalf of itself, the Borrowers, the Security Parties, the Security Trustee, each of the other Lenders and each of the Swap Banks;

b. on behalf of the Transferee Lender, send to each Borrower and each Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it;

c. send to the Transferee Lender copies of the letters or faxes sent under paragraph (b),

but the Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Transferor Lender and the Transferee Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations to the transfer to that Transferee Lender.

26.4 **Effective Date of Transfer Certificate.** A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date **Provided that** it is signed by the Agent under Clause 26.3 on or before that date.

26.5 **No transfer without Transfer Certificate.** Except as provided in Clause 26.17, no assignment or transfer of any right or obligation of a Lender under any Finance Document is binding on, or effective in relation to, each Borrower, any Security Party, the Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

26.6 **Lender re-organisation; waiver of Transfer Certificate.** However, if a Lender enters into any merger, de-merger or other reorganisation as a result of which all its rights or obligations vest in a successor, the Agent may, if it sees fit, by notice to the successor and the Borrowers and the Security Trustee waive the need for the execution and delivery of a Transfer Certificate; and, upon service of the Agent's notice, the successor shall become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

26.7 **Effect of Transfer Certificate.** A Transfer Certificate takes effect in accordance with English law as follows:

a. to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents are assigned to the Transferee Lender absolutely, free of any defects in the Transferor Lender's title and of any rights or equities which any Borrower or any Security Party had against the Transferor Lender;

b. the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;

c. the Transferee Lender becomes a Lender with the Contribution previously held by the Transferor Lender and a Commitment of an amount specified in the Transfer Certificate;

d. the Transferee Lender becomes bound by all the provisions of the Finance Documents which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;

e. any part of the Loan which the Transferee Lender advances after the Transfer Certificate's effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the transferor, assuming that any defects in the transferor's title and any rights or equities of any Borrower or any Security Party against the Transferor Lender had not existed;

f. the Transferee Lender becomes entitled to all the rights under the Finance Documents which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under Clause 5.7 and Clause 20, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

g. in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document, the Transferee Lender shall be

entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of any Borrower or any Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross-claim.

26.8 **Maintenance of register of Lenders.** During the Security Period the Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender holding a Transfer Certificate and the effective date (in accordance with Clause 26.4) of the Transfer Certificate; and the Agent shall make the register available for inspection by any Lender, the Security Trustee and any Borrower during normal banking hours, subject to receiving at least 3 Business Days' prior notice.

26.9 **Reliance on register of Lenders.** The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

26.9 **Authorisation of Agent to sign Transfer Certificates.** Each Borrower, the Security Trustee, each Lender and each Swap Bank irrevocably authorises the Agent to sign Transfer Certificates on its behalf.

26.10 **Registration fee.** In respect of any Transfer Certificate, the Agent shall be entitled to recover a registration fee of $5,000 from the Transferor Lender or (at the Agent's option) the Transferee Lender.

26.11 **Sub-participation; subrogation assignment.** A Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, any Borrower, any Security Party, the Agent or the Security Trustee; and the Lenders may assign, in any manner and terms agreed by the Majority Lenders, the Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

26.12 **Disclosure of Confidential Information.** Any Creditor Party may disclose:

a. with the prior written consent of the Borrowers, to any of their respective Affiliates and any of their respective officers, directors, employees, professional advisers, auditors, partners and representatives such Confidential Information as that Creditor Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

b. to any person:

i. to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, representatives and professional advisers;

ii. with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more of the Borrowers and/or one or more of the Security Parties and to any of that person's Affiliates, representatives and professional advisers;

iii. appointed by any Creditor Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;

iv. who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above including any Rating Agency and or its or their professional advisers;

v. to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

vi. to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitrations, administrative or other investigations, proceedings or disputes;

vii. to whom or for whose benefit that Creditor Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 26.17 and to any rating agency in relation to any such securitisation;

viii. who is a party; or

ix. as a result of the registration of any Finance Document as contemplated by any Finance Document or any legal opinion obtained in connection with any Finance Document,

in each case, such Confidential Information as that Creditor Party shall consider appropriate if:

1. in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

2. in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

3. in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Creditor Party, it is not practicable so to do in the circumstances; and

c. with the prior written consent of the Borrowers, to any person appointed by that Creditor Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered in to a confidentiality agreement substantially in the form of the Loan Market Association Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Borrowers and the relevant Creditor Party.

26.13 **Change of lending office.** A Lender may change its lending office by giving notice to the Agent and the change shall become effective on the later of:

a. the date on which the Agent receives the notice; and

b. the date, if any, specified in the notice as the date on which the change will come into effect.

26.14 **Notification.** On receiving such a notice, the Agent shall notify the Borrowers and the Security Trustee; and, until the Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office of which the Agent last had notice.

26.15 **Replacement of Reference Bank.** If any Reference Bank ceases to be a Lender or is unable on a continuing basis to supply quotations for the purposes of Clause 5 then, unless the Borrowers, the Agent and the Majority Lenders otherwise agree, the Agent, acting on the instructions of the Majority Lenders, and after consulting the Borrowers, shall appoint another bank (whether or not a Lender) to be a replacement Reference Bank; and, when that appointment comes into effect, the first-mentioned Reference Bank's appointment shall cease to be effective.

26.16 **Security over Lenders' rights.** In addition to the other rights provided to Lenders under this Clause 26, each Lender may without consulting with or obtaining consent from each Borrower or any Security Party, at any time charge, assign or otherwise create a Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

a. any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and

b. in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities;

except that no such charge, assignment or Security Interest shall:

i. release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for the Lender as a party to any of the Finance Documents; or

ii. require any payments to be made by each Borrower or any Security Party or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

27. VARIATIONS AND WAIVERS

27.1 **Variations, waivers etc. by Majority Lenders.** Subject to Clause 27.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or any Creditor Party's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax, by the Borrowers, by the Agent on behalf of the Majority Lenders, by the Agent and the Security Trustee in their own rights, and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

27.2 **Variations, waivers etc. requiring agreement of all Lenders.** However, as regards the following, Clause 27.1 applies as if the words "by the Agent on behalf of the Majority Lenders" were replaced by the words "by or on behalf of every Lender and every Swap Bank":

a. a change to any Security Party, other than in accordance with the terms of the Finance Documents;

b. a reduction in the Margin;

c. a postponement to the date for, or a reduction in the amount of, any payment of principal, interest, fees or other sum payable under this Agreement;

d. an increase in any Lender's Commitment;

e. a change to the definition of "**Sanctions**" or "**Majority Lenders**";

f. a change to Clause 3 or this Clause 27;

g. a change to clause 12 of the Guarantee;

h. any release of, or material variation to, a Security Interest, guarantee, indemnity or subordination arrangement set out in a Finance Document;

i. an extension of the Availability Period; and

j. any other change or matter as regards which this Agreement or another Finance Document expressly provides that each Lender's consent is required.

27.3 **Exclusion of other or implied variations.** Except for a document which satisfies the requirements of Clauses 27.1 and 27.2, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

a. a provision of this Agreement or another Finance Document; or

b. an Event of Default; or

c. a breach by any Borrower or a Security Party of an obligation under a Finance Document or the general law; or

d. any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

27.4 **Exceptions.**

a. If the Agent or a Lender reasonably believes that an amendment or waiver may constitute a "material modification" for the purposes of FATCA that may result (directly or indirectly) in a Party being required to make a FATCA Deduction and the Agent or that Lender (as the case may be) notifies the Borrowers and the Agent accordingly, that amendment or waiver may not be effected without the consent of the Agent or that Lender (as the case may be).

b. The consent of a Lender shall not be required pursuant to paragraph (a) above if that Lender is a FATCA Protected Lender.

28. **NOTICES**

28.1 **General.** Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter, electronic mail ("**Email**") or fax and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

28.2 **Addresses for communications.** A notice by letter or fax shall be sent:

(a) to the Borrowers: c/o Scorpio Bulkers Inc

Le Millenium, 9 Boulevard Charles III,

98000 Monaco

Attn: Legal Department

Fax No: + 3 77 97 77 83 46

Email: legal@scorpiogroup.net

(b) to a Lender: At the address below its name in Schedule 1 or (as the case may require) in the relevant Transfer Certificate.

(c) to a Swap Bank At the address below its name in Schedule 2.

(d) to the Agent: in respect of administrative matters:

NIBC Bank N.V.
Carnegieplein 4
2517 KJ The Hague
The Netherlands

Attention: Monique van Verseveld
Email: monique.van.verseveld@nibc.com
Fax: +31 (0)70 342 95 43
in respect of credit matters:

NIBC Bank N.V.
Carnegieplein 4
2517 KJ The Hague
The Netherlands

Attention: Michael de Visser / Pieter Jongen
Email: michael.de.visser@nibc.com /
pieter.jongen@nibc.com
Fax: +31 (0)70 342 55 77

(e) to the Security Trustee: in respect of administrative matters:

NIBC Bank N.V.
Carnegieplein 4
2517 KJ The Hague
The Netherlands

Attention: Monique van Verseveld
Email: monique.van.verseveld@nibc.com
Fax: +31 (0)70 342 95 43

in respect of credit matters:

NIBC Bank N.V.
Carnegieplein 4
2517 KJ The Hague
The Netherlands

Attention: Michael de Visser / Pieter Jongen
Email: michael.de.visser@nibc.com /
pieter.jongen@nibc.com
Fax: +31 (0)70 342 55 77

or to such other address as the relevant party may notify the Agent or, if the relevant party is the Agent or the Security Trustee, the Borrowers, the Lenders, the Swap Banks and the Security Parties.

28.3 **Effective date of notices.** Subject to Clauses 28.4 and 28.5:

a. a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered;

b. a notice which is sent by Email shall be deemed to be served, and shall take effect, at the time when it is actually received in readable form; and

c. a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

28.4 **Service outside business hours.** However, if under Clause 28.3 a notice would be deemed to be served:

a. on a day which is not a business day in the place of receipt; or

b. on such a business day, but after 5 p.m. local time,

the notice shall (subject to Clause 28.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

28.5 **Illegible notices.** Clauses 28.3 and 28.4 do not apply if the recipient of a notice notifies the sender within 1 hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

28.6 **Valid notices.** A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

a. the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

b. in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

28.7 **Electronic communication between the Agent and a Lender or a Swap Bank.** Any communication to be made between the Agent and a Lender or a Swap Bank under or in connection with the Finance Documents may be made by Email or other electronic means, if the Agent and the relevant Lender or Swap Bank:

a. agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

b. notify each other in writing of their Email address and/or any other information required to enable the sending and receipt of information by that means; and

c. notify each other of any change to their respective Email addresses or any other such information supplied to them.

Any electronic communication made between the Agent and a Lender or a Swap Bank will be effective only when actually received in readable form and, in the case of any electronic communication made by a Lender or a Swap Bank to the Agent, only if it is addressed in such a manner as the Agent shall specify for this purpose.

28.8 **English language.** Any notice under or in connection with a Finance Document shall be in English.

28.9 **Meaning of "notice".** In this Clause 28, "**notice**" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

29. **JOINT AND SEVERAL LIABILITY AND HEDGE GUARANTEE**

29.1 **General**. Other than for the limited period referred to in Clause 29.6, all liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clause 29.2, joint.

29.2 **No impairment of Borrower's obligations**. The liabilities and obligations of a Borrower shall not be impaired by:

a. this Agreement being or later becoming void, unenforceable or illegal as regards the other Borrower;

b. any Lender or the Security Trustee entering into any rescheduling, refinancing or other arrangement of any kind with the other Borrower;

c. any Lender or the Security Trustee releasing the other Borrower or any Security Interest created by a Finance Document; or

d. any combination of the foregoing.

29.3 **Principal debtors.** Each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and no Borrower shall in any circumstances be construed to be a surety for the obligations of the other Borrower under this Agreement.

29.4 **Subordination.** Subject to Clause 29.5 during the Security Period, no Borrower shall:

a. claim any amount which may be due to it from the other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or the matter unconnected with this Agreement or any Finance Document; or

b. take or enforce any form of security from the other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of the other Borrower; or

c. set off such an amount against any sum due from it to the other Borrower; or

d. prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving the other Borrower or any Security Party; or

e. exercise or assert any combination of the foregoing.

29.5 **Borrower's required action**. If during the Security Period, the Agent, by notice to a Borrower, requires it to take any action referred to in paragraphs (a) to (d) of Clause 29.4, in relation to the other Borrower, that Borrower shall take that action as soon as practicable after receiving the Agent's notice.

29.6 **Hedge Guarantee**. Each Borrower irrevocably and unconditionally and jointly and severally:

(a) guarantees to the Swap Banks punctual performance by the other Borrower (the "**Other Borrower**") of all that Other Borrower's obligations under each Master Agreement to which it is a party;

(b) undertakes with the Swap Banks that whenever the Other Borrower does not pay any amount when due under or in connection with any Master Agreement to which it is a party, that Borrower shall immediately on demand pay that amount as if it were the principal obligor; and

(c) agrees with the Swap Banks that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Swap Banks immediately on demand against any cost, loss or liability it incurs as a result of the Other Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Master Agreement on the date when it would have been due. The amount payable by a Borrower under this indemnity will not exceed the amount it would have had to pay under this clause if the amount claimed had been recoverable on the basis of a guarantee.

30. **SUPPLEMENTAL**

30.1 **Rights cumulative, non-exclusive.** The rights and remedies which the Finance Documents give to each Creditor Party are:

a. cumulative;

b. may be exercised as often as appears expedient; and

c. shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

30.2 **Severability of provisions.** If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

30.3 **Counterparts.** A Finance Document may be executed in any number of counterparts.

30.4 **Third party rights.** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

30.5 **Contractual recognition of bail-in**. Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the parties to this Agreement, each party to this Agreement acknowledges and accepts that any liability of any party to this Agreement to any other party to this Agreement under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

a. any Bail-In Action in relation to any such liability, including (without limitation):

i. a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;

ii. a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

iii. a cancellation of any such liability; and

b. a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

31. **LAW AND JURISDICTION**

31.1 **English law.** This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

31.2 **Exclusive English jurisdiction.** Subject to Clause 31.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

31.3 **Choice of forum for the exclusive benefit of Creditor Parties.** Clause 31.2 is for the exclusive benefit of the Creditor Parties, each of which reserves the rights:

a. to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that Dispute; and

b. to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

No Borrower shall commence any proceedings in any country other than England in relation to a Dispute.

31.4 **Process agent**

a. Each Borrower irrevocably appoints Scorpio UK Limited at its business address for the time being, presently at 10 Lower Grosvenor Place, London, SW1W 0EN (such communication to be marked preferably and if possible on the paper envelope (not any courier exterior) with "SALT Transaction" for the urgent attention of the Legal Department), to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

b. If any agent appointed as an agent for service of process under this Clause is unable for any reason to act as agent for service of process, the Borrowers (on behalf of themselves and all of the other Security Parties) must immediately (and in any event no later than the end of the previous process agent's appointment) appoint another agent on terms acceptable to the Agent. Failing this, the Agent may appoint another agent for this purpose.

31.5 **Creditor Party rights unaffected.** Nothing in this Clause 31 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

31.6 **Meaning of "proceedings".** In this Clause 31, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure and a "**Dispute**" means any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) or any non-contractual obligation arising out of or in connection with this Agreement.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
LENDERS AND COMMITMENTS

Lender	**Lending Office**	**Commitment (US Dollars)**
NIBC Bank N.V.	NIBC Bank N.V. 4 Carnegieplein 2517 KJ, The Hague The Netherlands	$38,700,000

SCHEDULE 2

SWAP BANKS

Swap Bank	**Booking Office**
NIBC Bank N.V.	NIBC Bank N.V. 4 Carnegieplein 2517 KJ, The Hague The Netherlands

SCHEDULE 3

DRAWDOWN NOTICE

To: NIBC Bank N.V.
4 Carnegieplein
2517 KJ, The Hague
The Netherlands

[l] 2017

DRAWDOWN NOTICE

1 We refer to the loan agreement (the "**Loan Agreement**") dated [l] 2017 and made between ourselves as joint and several Borrowers, the Lenders referred to therein, the Swap Banks referred to therein and yourselves as Mandated Lead Arranger, Agent and as Security Trustee in connection with a facility of up to US$38,700,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow Tranche [A][B][C] as follows:-

(a) Amount: US$[l];

(b) Drawdown Date: [l] 2017;

(c) [Duration of the first Interest Period shall be [l] months;] and

(d) Payment instructions: [l].

3 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Latent Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without the prior consent of the Majority Lenders.

[Name of Signatory]

_____
Director
for and on behalf of
SBI COUGAR SHIPPING COMPANY LIMITED
SBI JAGUAR SHIPPING COMPANY LIMITED
and
SBI PUMA SHIPPING COMPANY LIMITED

SCHEDULE 4

CONDITION PRECEDENT DOCUMENTS

PART A

The following are the documents referred to in Clause 9.1(a).

1. A duly executed original of each Finance Document (and of each document required to be delivered by each Finance Document) other than those referred to in paragraph 1 of Part B of this Schedule 4.

2. Copies of the certificate of incorporation and constitutional documents of each Borrower and each Security Party.

3. Copies of resolutions of the directors of each Borrower and each Security Party and in the case of the Borrowers copies of resolutions of their shareholders authorising the execution of the Master Agreement and each of the Finance Documents to which that Borrower or that Security Party is a party and, in the case of each Borrower, authorising named officers to give Drawdown Notices and other notices under this Agreement.

4. The original of any power of attorney under which the Master Agreement and any Finance Document is executed on behalf of each Borrower or a Security Party.

5. An incumbency certificate in respect of the officers and directors (or equivalent) of each Borrower and the Security Parties and signature samples of any signatories to any Finance Document.

6. Copies of all consents which each Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document and any Master Agreement.

7. Documentary evidence that the Earnings Accounts have been opened with the relevant Account Bank.

8. Documentary evidence that the agent for service of process named in Clause 31 has accepted its appointment.

9. Such documentation and other evidence in form and substance acceptable to the Agent or a Lender in order for each to carry out and be satisfied with the results of all necessary "know your customer" or other checks which it is required to carry out in relation to the transactions contemplated by this Agreement, and other Finance Documents and any Master Agreement, including without limitation obtaining, verifying and recording certain information and documentation that will allow the Agent and each of the Lenders to identify each Borrower and each Security Party.

10. Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the structure of the financing which is the subject of this Agreement and the laws of the Marshall Islands and such other relevant jurisdictions as the Agent may require.

11. A Compliance Certificate together with all supporting Accounting Information and other evidence as required pursuant to the terms of this Agreement.

12. The Fee Letter(s) duly signed by the parties to it.

13. Copies of each MOA and of all documents signed or issued by the relevant Borrower or the relevant Seller (or both of them) under or in connection with it.

14. Valuations of the Fair Market Value of each Ship addressed to the Agent and the Lenders stated to be for the purpose of this Agreement which evidences an aggregate Fair Market Value of all such Ships of not less than 140 per cent. of the Total Commitments.

15. Evidence that the Borrowers have paid any and all fees and expenses then due and payable under the Finance Documents.

16. If the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

17. PART B

The following are the documents referred to in Clause 9.1(a).

In this Part B, the "**relevant Ship**" means the particular Ship to which the relevant Tranche relates and relevant "**relevant Borrower**" means the Borrower owning that Ship.

1 A duly executed original of the Mortgage, the General Assignment, any Charterparty Assignment, the Account Security Deed and any Intercompany Loan Assignment (if applicable) (and of each document to be delivered by each of them) relating to the relevant Ship.

2 Documentary evidence that:

(a) the relevant Ship has been unconditionally delivered by the relevant Seller to, and accepted by, the relevant Borrower under the relevant MOA and that the full purchase price payable and all other sums due to the relevant Seller under the relevant MOA, other than the sums to be financed pursuant to the relevant Tranche, have been paid to the relevant Seller;

(b) the relevant Ship is permanently registered in the name of the relevant Borrower under the applicable Approved Flag;

(c) the relevant Ship is in the absolute and unencumbered ownership of the relevant Borrower save as contemplated by the Finance Documents;

(d) the relevant Ship maintains the highest available class with the Approved Classification Society free of all overdue recommendations and conditions of such Approved Classification Society;

(e) the relevant Mortgage has been duly registered against the relevant Ship as a valid first priority or, as the case may be, preferred ship mortgage in accordance with the laws of the jurisdiction of its Approved Flag;

(f) the relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with together with copies of the insurance policies and certificates of entry for the relevant Ship; and

3 Documents establishing that the relevant Ship is managed by the Approved Ship Manager and/or the Approved Sub-Manager on terms acceptable to the Agent (such documents the "**Approved Management Agreement**"), together with:

(a) an Approved Ship Manager's Undertaking executed by the relevant Approved Ship Manager and/or the Approved Sub-Manager which is party to an Approved Management Agreement with the relevant Borrower and/or relevant Approved Ship Manager, in favour of the Agent; and

(b) copies of the Approved Technical Ship Manager's (or, if applicable, the Approved Sub-Manager's) Document of Compliance and the relevant Ship's Safety Management Certificate (together with any other details of the applicable safety management system which the Agent requires) and ISSC.

4 If the Drawdown Date for the relevant Tranche occurs after 22 December 2017, valuations of the Fair Market Value of the relevant Ship together with any other Ship already financed by the Loan and subject to a Mortgage, addressed to the Agent and the Lenders stated to be for the purposes of this Agreement which evidence an aggregate Fair Market Value for such Ship or Ships of not less than 140 per cent. of the Loan.

5 Confirmation from the Agent of receipt of a satisfactory inspection report for the relevant Ship.

6 Evidence that the Green Passport required pursuant to Clause 14.19 is in place for the relevant Ship.

7 An update on the current SIRE status of the relevant Ship satisfactory to the Agent.

8 A copy of the International Air Pollution Prevention Certificate for the relevant Ship.

9 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of the Marshall Islands, and such other relevant jurisdictions as the Agent may require.

10 A favourable opinion from an independent insurance consultant appointed by the Agent on such matters relating to the insurances for the relevant Ship as the Lenders may require

11 Documentary evidence that the agent for service of process named in any of the other Finance Documents has accepted its appointment on behalf of the Borrowers and any Security Party.

12 If the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

Each of the documents specified in this Schedule 4 shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of each Borrower.

SCHEDULE 5

TRANSFER CERTIFICATE

The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.

To: [Name of Agent] for itself and for and on behalf of the Borrowers, each Security Party, the Security Trustee, each Lender and each Swap Bank, as defined in the Loan Agreement referred to below.

[l]

13 This Certificate relates to a Loan Agreement (the "**Agreement**") dated [l] 2017 and made between (1) SBI Cougar Shipping Company Limited, SBI Jaguar Shipping Company Limited and SBI Puma Shipping Company Limited as joint and several borrowers (the "**Borrowers**"), (2) the banks and financial institutions named therein as Lenders, (3) the banks and financial institutions named therein as Swap Banks, (4) NIBC Bank N.V. as Mandated Lead Arranger, (5) NIBC Bank N.V. as Agent and (6) NIBC Bank N.V. as Security Trustee for a loan facility of up to $38,700,000.

14 In this Certificate, terms defined in the Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate and:

"**Relevant Parties**" means the Agent, each Borrower, each Security Party, the Mandated Lead Arranger, the Security Trustee, each Lender and each Swap Bank;

"**Transferor**" means [full name] of [lending office];

"**Transferee**" means [full name] of [lending office].

15 The effective date of this Certificate is [l] **Provided that** this Certificate shall not come into effect unless it is signed by the Agent on or before that date.

16 [The Transferor assigns to the Transferee absolutely all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Agreement and every other Finance Document in relation to [l] per cent. of its Contribution, which percentage represents $[l].]

17 [By virtue of this Certificate and Clause 26 of the Agreement, the Transferor is discharged [entirely from its Commitment which amounts to $[l]] [from [l] per cent. of its Commitment, which percentage represents $[l]] and the Transferee acquires a Commitment of $[l].]

18 The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents which Clause 26 of the Agreement provides will become binding on it upon this Certificate taking effect.

19 The Agent, at the request of the Transferee (which request is hereby made) accepts, for the Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 26 of the Agreement.

20 The Transferor:

(a) warrants to the Transferee and each Relevant Party that:

(i) the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which are required in connection with this transaction; and

(ii) this Certificate is valid and binding as regards the Transferor;

(b) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the assignment in paragraph 4; and

(c) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.

21 The Transferee:

(a) confirms that it has received a copy of the Agreement and each of the other Finance Documents;

(b) agrees that it will have no rights of recourse on any ground against either the Transferor, the Agent, the Security Trustee, any Lender or any Swap Bank in the event that:

(i) any of the Finance Documents prove to be invalid or ineffective;

(ii) each Borrower or any Security Party fails to observe or perform its obligations, or to discharge its liabilities, under any of the Finance Documents;

(iii) it proves impossible to realise any asset covered by a Security Interest created by a Finance Document, or the proceeds of such assets are insufficient to discharge the liabilities of each Borrower or any Security Party under any of the Finance Documents;

(c) agrees that it will have no rights of recourse on any ground against the Agent, the Security Trustee, any Lender or any Swap Bank in the event that this Certificate proves to be invalid or ineffective;

(d) warrants to the Transferor and each Relevant Party that:

(i) it has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs to take or obtain in connection with this transaction; and

(ii) that this Certificate is valid and binding as regards the Transferee;

(e) confirms the accuracy of the administrative details set out below regarding the Transferee.

22 The Transferor and the Transferee each undertake with the Agent and the Security Trustee severally, on demand, fully to indemnify the Agent and/or the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or either of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross and culpable negligence or dishonesty of the Agent's or the Security Trustee's own officers or employees.

23 The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 9 as exceeds one-half of the amount demanded by the Agent or the Security Trustee in respect of a

claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this paragraph shall affect the liability of each of the Transferor and the Transferee to the Agent or the Security Trustee for the full amount demanded by it.

[Name of Transferor] [Name of Transferee]

By: By:

Date: Date:

AGENT

Signed for itself and for and on behalf of itself

as Agent and for every other Relevant Party

[Name of Agent]

By:

Date:

Administrative Details of Transferee

Name of Transferee:

Lending Office:

Contact Person

(Loan Administration Department):

Telephone:

Fax:

Contact Person

(Credit Administration Department):

Telephone:

Fax:

Account for payments:

Note: This Transfer Certificate alone may not be sufficient to transfer a proportionate share of the Transferor's interest in the security constituted by the Finance Documents in the Transferor's or Transferee's jurisdiction. It is the responsibility of each Lender to ascertain whether any other documents are required for this purpose.

Schedule 6

DESIGNATION NOTICE

To: NIBC Bank N.V.
4 Carnegieplein
2517 KJ, The Hague
The Netherlands

[l]

Dear Sirs

Loan Agreement dated [l] 2017 made between (i) ourselves as joint and several Borrowers, (ii) the Lenders named therein, (iii) the Swap Banks named therein, (iv) yourselves as Mandated Lead Arranger and (v) yourselves as Agent and Security Trustee (the "Loan Agreement").

We refer to:-

24 the Loan Agreement;

25 the Master Agreement dated [l] made between ourselves and [l]; and

26 a Confirmation delivered pursuant to the said Master Agreement dated [l] and addressed by [l] to us.

In accordance with the terms of the Loan Agreement, we hereby give you notice of the said Confirmation and hereby confirm that the Transaction evidenced by it will be designated as a "Designated Transaction" for the purposes of the Loan Agreement and the Finance Documents.

Yours faithfully,

[Name of Signatory]

_____

Director

for and on behalf of

SBI COUGAR SHIPPING COMPANY LIMITED

[Name of Signatory]

_____

Director

for and on behalf of

SBI JAGUAR SHIPPING COMPANY LIMITED

[Name of Signatory]

_____

Director

for and on behalf of

SBI PUMA SHIPPING COMPANY LIMITED

Schedule 7

LIST OF APPROVED BROKERS

Clarkson plc
Arrow Sale & Purchase Ltd.
Braemar Seascope Ltd.
Maersk Broker K/S
Fearnleys Ltd.
Compass Maritime Services LLC

Execution Pages

BORROWERS

SIGNED by /s/ Francesca Gianfranchi
Attorney in fact)
)
for and on behalf of)
SBI COUGAR SHIPPING)
COMPANY LIMITED)
in the presence of: /s/ Valentine Chatelier

SIGNED by /s/ Francesca Gianfranchi
Attorney in fact)
)
for and on behalf of)
SBI JAGUAR SHIPPING)
COMPANY LIMITED)
in the presence of: /s/ Valentine Chatelier
)

SIGNED by /s/ Francesca Gianfranchi
Attorney in fact)
)
for and on behalf of)
SBI PUMA SHIPPING)
COMPANY LIMITED)
in the presence of: /s/ Valentine Chatelier
)

THE LENDERS

SIGNED by Emeline Yew
Attorney in fact

)
)
for and on behalf of)
NIBC BANK N.V.)
in the presence of: /s/ Paul Horgarth
Trainee Solicitor
Watson Farley & Williams LLP
15 Appold Street
London EC2A 2HB)

THE SWAP BANKS

SIGNED by Emeline Yew
Attorney in fact)
)
for and on behalf of)
NIBC BANK N.V.)
in the presence of: /s/ Paul Horgarth
Trainee Solicitor
Watson Farley & Williams LLP
15 Appold Street
London EC2A 2HB)

THE MANDATED LEAD ARRANGER

SIGNED by
Emeline Yew
Attorney in fact)
)
for and on behalf of)
NIBC BANK N.V.)
in the presence of:/s/ Paul Horgarth
Trainee Solicitor
Watson Farley & Williams LLP
15 Appold Street
London EC2A 2HB)

THE AGENT

SIGNED by Emeline Yew
Attorney in fact)
)
for and on behalf of)
NIBC BANK N.V.)
in the presence of:

/s/ Paul Horgarth
Trainee Solicitor
Watson Farley & Williams LLP
15 Appold Street
London EC2A 2HB)

THE SECURITY TRUSTEE

SIGNED by Emeline Yew
Attorney in fact)
)
for and on behalf of)
NIBC BANK N.V.)
in the presence of:

/s/ Paul Horgarth
Trainee Solicitor
Watson Farley & Williams LLP
15 Appold Street
London EC2A 2HB)

1. Shipbroker **ITOCHU CORPORATION** **TOKBM Section, 5-1, Kita-Aoyama 2-chome,** **Minato-ku, Tokyo, 107-8077, Japan**	**BIMCO STANDARD BAREBOAT CHARTER CODE NAME : "BARECON 2001"** PART I
	2. Place and date **In Monaco** **20th October, 2017**
3. Owners / Place of business (Cl. 1) **Hanadahiro Co., Ltd. and Lodestar Shipping & Navigation S.A. jointly and severally**	4. Bareboat Charterers / Place of business (Cl. 1) **SBI Rumba Shipping Company Limited guaranteed by Scorpio Bulkers Inc.**
5. Vessel's name, call sign and flag (Cl. 1 and 3) **M/V SBI Rumba, V7KD8 , Marshall Island**	
6. Type of Vessel **Bulk Carrier**	7. GT / NT **45200 / 28837**
8. When / Where built **2015 / Imabari Shipbuilding Co., Ltd**	9. Total DWT (abt.) in metric tons on summer freeboard **84 867 MT**
10. Classification Society (Cl. 3) **American Bureau of Shipping**	11. Date of last special survey by the Vessel's classification society **N/A**
12. Further particulars of Vessel (also indicate minimum number of months' validity of class certificates agreed acc. to Cl. 3) **IMO No. 9712498**	
13. Port or Place of delivery (Cl.3) **World Wide in Charterer's option**	14. Time for delivery (Cl.4) **See Clause 32** 15. Cancelling date (Cl.5) **N/A**
16. Port or Place of redelivery (Cl. 15) **Safety afloat at an accessible safe berth or anchorage at a safe port or place within Singapore / Japan Range, port in Charterer's option (however not applicable in case the Charterers exercise the Purchase Option as per clause 35)**	17. No. of months' validity of trading and class certificates upon redelivery (Cl. 15) **Minimum 3 months (however not applicable in case the Charterers exercise the Purchase Option as per clause 35)**
18. Running days' notice if other than stated in Cl.4 **N/A**	19. Frequency of dry-docking Cl. 10(g) **As required by Classification Society**
20. Trading Limits (Cl.6) **worldwide trading within current IWL excluding any country boycotted by the UN.** **The Charterers shall be allowed to breach the IWL subject to payment by the Charterers of any and all premiums, expenses, costs and risks of the Charterers and, where required by the relevant insurance terms, the underwriters' approval.**	
21. Charter Period (Cl. 2) **9.5 years from delivery plus 0.5 year in Charterer's option** **(See also Clause 33)**	22. Charter hire (Cl. 11) **USD 5,400/Day (See also Clause 11).**
23. New class and other safety requirements (state percentage of Vessel's insurance value acc. to Box 29 (Cl. 10(a)(ii)) **N/A**	
24. Rate of interest payable acc. to Cl.11(f) and, if applicable, acc. to PART IV **4%**	25. Currency and method of payment (Cl.11) **USD, payable monthly in advance by bank transfer**
26. Place of payment; also state beneficiary and bank account (Cl. 11) **THE HIROSHIMA BANK, LTD. KURE BRANCH** **5-4, Hondori, 3-Chome, Kure, Hiroshima 737-0045 Japan** **Swift Code : HIROJPJT** **Account No. : USD/0000460, JPY/0000459** **Account Name : Lodestar Shipping & Navigation S.A.**	27. Bank guarantee / bond (sum and place) (Cl. 24 (optional) **N/A**
28. Mortgage(s), if any (state whether Cl. 12(a) or (b) applies; if 12(b) applies, state date of Financial Instrument and name of Mortgagee(s)/Place of business) (Cl. 12) **THE HIROSHIMA BANK, LTD. KURE OFFICE / date of Financial Instrument TBA, Place of Business Kure, Japan. Clause 12(b) to apply.**	29. Insurance (hull and machinery and war risks) (state value acc. to Cl.13(f) or, if applicable, acc. to Cl. 14(k)) (also state if Cl.14 applies) **See Clause 34**
30. Additional insurance cover, if any, for Owners' account limited to (Cl. 13(b) or, if applicable, Cl. 14(g)) **N/A**	31. Additional insurance cover, if any, for Charterers' account limited to (Cl. 13(b) or, if applicable, Cl. 14(g)) **N/A**

32. Latent defects (only to be filled in if period other than stated in Cl.3) **N/A**	33. Brokerage commission and to whom payable (Cl.27) **N/A**
34. Grace period (state number of clear banking days) (Cl. 28) **6 Banking Days**	35. Dispute Resolution (state 30(a), 30(b) or 30(c); if 30(c) agreed, Place of Arbitration must be stated (Cl. 30) **London as place of arbitration, English Law, Clause 30(a)**
36. War cancellation (indicate countries agreed) (Cl. 26(f)) **N/A**	
37. Newbuilding Vessel (indicate with 'yes' or 'no' whether PART III applies) (optional) **No**	38. Name and place of Builders (only to be filled in if PART III applies) **N/A**
39. Vessel's Yard Building No. (only to be filled in if PART III applies) **N/A**	40. Date of Building Contract (only to be filled in if PART III applies) **N/A**
41. Liquidated damages and costs shall accrue to (state party acc. to Cl. 1) N/A N/A N/A	
42. Hire/Purchase agreement (indicate with 'yes' or 'no' whether PART IV applies) (optional) **No. See however Clause 35**	43. Bareboat Charter Registry (indicate with 'yes' or 'no' whether PART IV applies) (optional) **No**
44. Flag and Country of the Bareboat Charter Registry (only to be filled in if PART V applies) **N/A**	45. Country of the Underlying Registry (only to be filled in if PART V applies) **N/A**
46. Number of additional clauses covering special provisions, if agreed **Clause 32 - 47**	

PREAMBLE - It is mutually agreed that this Contract shall be performed subject to the conditions contained in this Charter which shall include PART I and PART II. In the event of a conflict of conditions, the provisions of PART I shall prevail over those of PART II to the extent of such conflict but no further. It is further mutually agreed that PART III and/or PART IV and/or PART V shall only apply and shall only form part of this Charter if expressly agreed and stated in Boxes 37, 42 and 43. If PART III and/or PART IV and/or PART V apply, it is further agreed that in the event of a conflict of conditions, the provisions of PART I and PART II shall prevail over those of PART III and/or PART IV and/or PART V to the extent of such conflict but no further.

Signature (Owners) **Lodestar Shipping & Navigation S.A.** **By: /s/** Hiromitau Hanada **Title:** Attorney - in-Fact	Signature (Charterers) **SBI Rumba Shipping Company Limited** **By: /s/** Micha Withoft **Title:** Attorney - in - fact
Signature (Owners) **Hanadahiro Co., Ltd.** **By: /s/** Hiroko Hanada **Title**: Director / President	

PART II

"gBARECON 2001'' Standard Bareboat Charter

1. Definitions

In this Charter, the following terms shall have the meanings hereby assigned to them:
"Banking Day" shall mean a day (other than a Saturday or Sunday):
on which banks and financial markets are open for business in Tokyo, New York, Monaco, the Netherlands and London,
"MOA" shall have the definition given to it in the Riders hereto
"Redelivery MOA" shall means the memorandum of agreement attached hereto as Appendix C.
"The Owners" shall mean the party identified in Box 3;
"The Charterers" shall mean the party identified in Box 4;
"The Vessel" shall mean the vessel named in Box 5 and with particulars as stated in Boxes 6 to 12.
"Financial instrument" means the mortgage, deed of covenant or other such financial security instrument as annexed to this Charter and stated in Box 28.

2. Charter Period

In consideration of the hire detailed in Box 22, the Owners have agreed to let and the Charterers have agreed to hire the Vessel for the period stated in Box 21 ~~(the "Charter Hire Period")~~. See also Clause 33.

3. Delivery - INTENTIONALLY OMITTED -See Clauses 32 and 33

~~*(not applicable when Part III applies, as indicated in Box 37)*~~

~~**(a)** The Owners shall before and at the time of delivery exercise due diligence to make the Vessel seaworthy and in every respect ready in hull, machinery and equipment for service under this Charter. The Vessel shall be delivered by the Owners and taken over by the Charterers at the port or place indicated in Box 13 in such ready safe berth as the Charterers may direct in accordance with Clause 32.~~

~~**(b)** The Vessel shall be properly documented on delivery in accordance with the laws of the Flag State indicated in Box 5 and the requirements of the Classification Society stated in Box 10. The Vessel upon delivery shall have her survey cycles up to date and trading and class certificates valid for at least the number of months agreed in Box 12.~~

~~**(c)** The delivery of the Vessel by the Owners and the taking over of the Vessel by the Charterers shall constitute a full performance by the Owners of all the Owners' obligations under this Clause 3, and thereafter the Charterers shall not be entitled to make or assert any claim against the Owners on account of any conditions, representations or warranties expressed or implied with respect to the Vessel but the Owners shall be liable for the cost of but not the time for repairs or renewals occasioned by latent defects in the Vessel, her machinery or appurtenances, existing at the time of delivery under this Charter, provided such defects have manifested themselves within twelve (12) months after delivery unless otherwise provided in Box 32.~~

4. Time for Delivery - INTENTIONALLY OMITTED - See Clause 32

~~*(not applicable when Part III applies, as indicated in Box 37)*~~

~~The Vessel shall not be delivered before the date indicated in Box 14 the Owners shall exercise due diligence to deliver the Vessel not later than the date indicated in Box 15. Unless otherwise agreed in Box 18, the Owners shall definite notice of the date on which the Vessel is expected to be ready for delivery. The Owners shall keep the Charterers closely advised~~

5. Cancelling - INTENTIONALLY OMITTED - See Clause 32

~~*(not applicable when Part III applies, as indicated in Box 37)*~~

~~(a) Should the Vessel not be delivered latest by the cancelling date indicated in Box 15, this Charter shall be deemed cancelled. the Charterers shall have the option of cancelling this Charter by giving the Owners notice of cancellation within thirty six (36) running hours after the cancelling date stated in Box 15, failing which this Charter shall remain in full force and effect.~~

~~**(b)**If it appears that the Vessel will be delayed beyond the cancelling date, the Owners may, as soon as they are in a position to state with reasonable certainty the day on which the Vessel should be ready, give notice thereof to the Charterers asking whether they will exercise their option of cancelling, and the option must then be declared within one hundred and sixty eight (168) running hours of the receipt by the Charterers of such notice or within thirty six (36) running hours after the cancelling date, whichever is the earlier. If the Charterers do not then exercise their option of cancelling, the seventh day after the readiness date stated in the date indicated in Box 15 for the purpose of this Clause 5.~~

~~**(c)** Cancellation under this Clause 5 shall be without prejudice to any claim the Charterers may otherwise have on the Owners under this Charter.~~

6. Trading Restrictions

The Vessel shall be employed in lawful trades for the carriage of suitable lawful merchandise within the trading limits indicated in Box 20. The Charterers undertake not to employ the Vessel or suffer the Vessel to be employed otherwise than in conformity with the terms of the contracts of insurance (including any warranties expressed or implied therein) without first complying with such requirements as to extra premium or otherwise as the insurers may prescribe. The Charterers also undertake not to employ the Vessel or suffer her employment in any trade or business which is forbidden by the law of any country to which the Vessel may sail or is otherwise illicit or in carrying illicit or prohibited goods or in any manner whatsoever which may render her liable to condemnation, destruction, seizure or confiscation. Notwithstanding any other provisions contained in this Charter it is agreed that nuclear fuels or radioactive products or waste are specifically excluded from the cargo permitted to be loaded or carried under this Charter. This exclusion does not apply to radio-isotopes used or intended to be used for any industrial, commercial, agricultural, medical or scientific purposes to loading thereof.

~~**7. Surveys on Delivery and Redelivery**~~

~~*(not applicable when Part III applies, as indicated in Box 37)*~~

~~There will be no On-hire Survey on delivery. The Owners and Charterers shall each appoint surveyors for the purpose of determining and agreeing in writing the condition of the Vessel at the time of delivery and redelivery hereunder. The Owners shall bear all expenses of the On-hire Survey for the surveyor appointed by them in respect of the Off-hire Survey including loss of time, if any, at the daily equivalent to the rate of hire or pro rata thereof and the Charterers shall bear all expenses for the surveyor appointed by them in respect of the Off-hire Survey including loss of time, if any, at the daily equivalent to the rate of hire or pro rata thereof.~~

8. Inspection

The Owners shall have the right once per calendar year at any time after giving reasonable notice, however not less than 15 days, to the Charterers and provided that it does not unduly interfere with the commercial operation of the Vessel to inspect or survey the Vessel or instruct a duly authorized surveyor to carry out such inspection or survey on their behalf:-

(a) to ascertain the condition of the Vessel and satisfy themselves that the Vessel is being properly repaired and maintained. The costs and fees for any inspection or survey made under this Clause 8 shall be paid by the Owners unless the Vessel is found to require repairs or maintenance in order to achieve the condition so provided; and

(b) in dry-dock if the Charterers have not dry-docked her in accordance with Clause 10(g). The costs and fees for such inspection or survey shall be paid by the Charterers.

~~(c) for any other commercial reason they consider necessary (provided it does not unduly interfere with the commercial operation of the Vessel). The costs and fees for such inspection and survey shall be paid by the Owners.~~

All time used in respect of inspection, survey or repairs shall account as the Charter Period.

The Charterers shall also permit, the Owners to inspect the Vessel's log books whenever reasonably requested with ongoing Class Records (as to the ongoing Class Records the Charterer shall supply once a year) and shall whenever required by the Owners furnish them with full information regarding any major casualties or other major accidents or significant damage to the Vessel.

9. Inventories, Oil and Stores

A complete inventory of the Vessel's entire equipment shall be provided by the Charterers to the Owners ~~in conjunction with the Owners~~ on delivery of the Vessel. There shall be no payment by the Charterers for any such items on delivery. Unless the Vessel is acquired by the Charterers in accordance with Clause 35, the ~~Charterers and the~~ Owners, ~~respectively,~~ shall at the time of ~~delivery and~~ redelivery and where Charterers have not exercised their option to purchase the Vessel in accordance with this Charter take over and pay for all bunkers, lubricating oil, unbroached provisions, paints, ropes and other consumable stores (excluding spare parts) in the said Vessel at the then current market prices at the ports of ~~delivery and~~ redelivery, ~~respectively~~. The Charterers shall ensure that all spare parts listed in the inventory and used during the Charter Period are replaced at their expense prior to redelivery of the Vessel.

10. Maintenance and Operation

(a)(i) Maintenance and Repairs - During the Charter Period the Vessel shall be in the full possession and at the absolute disposal for all purposes of the Charterers and under their complete control in every respect. The Charterers shall maintain the Vessel, her machinery, boilers, appurtenances and spare parts in a good state of repair, in efficient operating condition and in accordance with good commercial maintenance practice and at their own expense they shall at all times keep the Vessel's Class fully up to date with the Classification Society indicated in Box 10 and maintain all other necessary certificates in force at all times.

(ii) New Class and Other Safety Requirements - In the event of any improvement, structural changes or new equipment

becoming necessary for the continued operation of the Vessel by reason of new class requirements or by compulsory legislation ("Works"), the Charterers shall bear all such expenses, costs and time for effecting such improvement or structural change, provided however that in the event this Charter is terminated by reason of Owners' default, Owners shall make good to Charterers any reasonable share of the expenditure incurred by Charterers in respect of any such Works (all such costs always excluding the Charterers' loss of time, the "Works Costs") as set out below
The Charterers' share of the Works Costs shall be calculated as: Works Costs x remaining days of the Charter at the time of early Termination / total amortization period, as applicable (the "Charterers' Share of the Works").
The Owners' share of the Works Costs shall be calculated as: Works Costs less Charterers' Share of the Works (the "Owners' Share of the Works")
The Owners shall pay the Owners' Share of the Works within seven (7) Banking Days from the receipt of the notice from the Charterers which describes the amount of the Owners' Share of the Works and the calculation basis with its supporting evidences.
Either party shall have the right to refer the determination of who shares what part of the Excess to the dispute resolution method set out in Clause 30.

(iii) Financial Security - The Charterers shall maintain financial security or responsibility in respect of third party liabilities as required by any government, including federal, state or municipal or other division or authority thereof, to enable the Vessel, without penalty or charge, lawfully to enter, remain at, or leave any port, place, territorial or contiguous waters of any country, state or municipality in performance of this Charter without any delay. This obligation shall apply whether or not such requirements have been lawfully imposed by such government or division or authority thereof. The Charterers shall make and maintain all arrangements by bond or otherwise as may be necessary to satisfy such requirements at the Charterer's sole expense and the Charterers shall indemnify the Owners against all consequences whatsoever (including loss of time) for any failure or inability to do so.

(b) Operation of the Vessel - The Charterers shall at their own expense and by their own procurement man, victual, navigate, operate, supply, fuel and, whenever required, repair the Vessel during the Charter Period and they shall pay all charges and expenses of every kind and nature whatsoever incidental to their use and operation of the Vessel under this Charter, including annual flag State fees and any foreign general municipality and/or state taxes. The Master, officers and crew of the Vessel shall be the servants of the Charterers for all purposes whatsoever, even if for any reason appointed by the Owners. Charterers shall comply with the regulations regarding officers and crew in force in the country of the Vessel's flag or any other applicable law.

(c) The Charterers shall keep the Owners advised of any planned dry-docking and major repairs of the Vessel, as reasonably required.

(d) Flag and Name of Vessel - During the Charter Period, the Charterers shall have the liberty to paint the Vessel in their own colours, install and display their funnel insignia and fly their own house flag. The Charterers shall also have the liberty, with the Owners' consent, which shall not be unreasonably withheld, to change the flag and/or the name of the Vessel during the Charter Period. Painting and re-painting, instalment and re-instalment, registration and re-registration, if required by the Owners, shall be at the Charterer's expense and time.

(e) Changes to the Vessel - Subject to Clause 10(a)(ii), the Charterers shall make no structural changes in the Vessel or changes in the machinery, boilers, appurtenances or spare parts without in each instance first securing the Owners' approval thereof, which approval not to be unreasonably withheld. If the Owners so agree, the Charterers shall, if the Owners so require, restore the Vessel to its former condition before the termination of this Charter (always excluding any time where the Charterers have exercised their right to purchase the Vessel).

(f) Use of the Vessel's Outfit, Equipment and Appliances - The Charterers shall have the use of all outfit, equipment, and appliances on board the Vessel at the time of delivery, provided the same or their substantial equivalent shall be returned to the Owners on redelivery in the same good order and condition as when received, ordinary wear and tear excepted. The Charterers shall from time to time during the Charter Period replace such items of equipment as shall be so damaged or worn as to be unfit for use. The Charterers are to procure that all repairs to or replacement of any damaged, worn or lost parts or equipment be effected in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel. The Charterers have the right to fit additional equipment at their expense and risk. Any equipment including radio equipment on hire on the Vessel at time of delivery shall be kept and maintained by the Charterers and the Charterers shall assume the obligations and liabilities of the Owners under any lease contracts in connection therewith and shall reimburse the Owners for all expenses incurred in connection therewith, also for any new equipment required in order to comply with radio regulations.

(g) Periodical Dry-Docking - The Charterers shall dry- dock the Vessel and clean and paint her underwater parts whenever the same may be necessary, but not less than once during the period stated in Box 19 or, if Box 19 has been left blank, every sixty (60) calendar months after delivery or such other period as may be required by the Classification Society or the applicable flag State.

11. Hire

(a) The Charterers shall pay hire due to the Owners punctually in accordance with the terms of this Charter in respect of which time shall be of the essence.

(b) The Charterers shall pay to the Owners for the hire of the Vessel a lump sum in the amount indicated in Box 22 which shall be payable monthly in advance, the first lump sum being payable on the date and hour of the Vessel's delivery to the Charterers. Subject to as otherwise provided in this Charter, hire shall be paid continuously throughout the Charter Period.

(c) Subject to as otherwise expressly provided in this Charter, payment of hire shall be made in cash and in full free of bank charges without discount, deduction and set-off in the currency and in the manner indicated in Box 25 and at the place mentioned in Box 26.

(d) Final payment of hire, if for a period of less than one (1) month ~~thirty (30) running days~~, shall be calculated proportionally according to the number of days and hours remaining before redelivery and advance payment to be effected accordingly.

~~**(e)** Should the Vessel be lost or missing, hire shall cease from the date and time when she was lost or last heard of. The date upon which the Vessel is to be treated as lost or missing shall be ten (10) days after the Vessel was last reported or when the Vessel is posted as any hire paid in advance to be adjusted accordingly.~~

(f) Any delay in payment of hire or other amount payable and due by the Charterers under this Charter shall entitle the Owners to interest at the rate per annum as agreed in Box 24. If Box 24 has not been filled in, the three months Interbank offered rate in London (LIBOR or its successor) for the currency stated in Box 25, as quoted by ICE Benchmark Administration Limited (or its successor) ~~the British Bankers' Association (BBA)~~ on the date when the hire fell due, increased by 2 per cent., shall apply.

(g) Payment of interest due under sub-clause 11(f) shall be made within seven (7) running days of the date of the Owners' invoice specifying the amount payable or, in the absence of an invoice, at the time of the next hire payment date.

12. Mortgage

(only to apply if Box 28 has been appropriately filled in)

~~**(a)** The Owners warrant that they have not effected any mortgage(s) of the Vessel and that they shall not effect any mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.~~

(b) The Vessel chartered under this Charter is financed by a mortgage according to the Financial Instrument. The Charterers undertake to provide such information and documents to enable the Owners to comply, with all such instructions or directions in regard to the employment, insurances, operation, repairs and maintenance of the Vessel as laid down in the Financial Instrument or as may be directed from time to time during the currency of the Charter by the mortgagee(s) in conformity with the Financial Instrument, provided however that nothing to be done under this Clause 12(b) shall require the Charterers to do more than they are required to do otherwise under this Charter. The Owners warrant that they have not effected any mortgage(s) other than as stated in Box 28 and that they shall not agree to any amendment of the mortgage(s) referred to in Box 28 or effect any other mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld. *(Optional, Clauses 12(a) and 12(b) are alternatives; indicate alternative agreed in Box 28).*

13. Insurance and Repairs - See also Clause 34

In relation to repairs to the Vessel effected by Charterers in accordance with this paragraph, Owners will indemnify Charterers up to the value of the insurance proceeds which are paid out by the insurers but retained by the lender/mortgagee under the Financial Instrument as a result of a breach of the terms of the Financial Instrument by the Owners, provided always that Charterers are in full compliance with the terms of this Charter

(a) During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against hull and machinery, war and Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(iii)) in such form as the Owners shall in writing approve, which approval shall not be un-reasonably withheld. Such insurances shall be arranged by the Charterers to protect the interests of both the Owners and the Charterers and the mortgagee(s) (if any), and The Charterers shall be at liberty to protect under such insurances the interests of any managers they may appoint. Insurance policies shall cover the Owners and the Charterers according to their respective interests.

Subject to the provisions of the Financial Instrument, if any, and the approval of the Owners and the insurers, the

Charterers shall effect all insured repairs and shall undertake settlement and reimbursement from the insurers of all costs in connection with such repairs as well as insured charges, expenses and liabilities to the extent of coverage under the insurances herein provided for.
The Charterers also to remain responsible for and to effect repairs and settlement of costs and expenses covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances. All time used for repairs under the provisions of sub- clause 13(a) and for repairs of any and all latent defects ~~according to Clause 3(c) above~~, including but not limited to any deviation, shall be for the Charterers' account.

(b) The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers is necessary.

(c) The Charterers shall upon the request of the Owners, provide information and promptly execute such documents as may be reasonably required to enable the Owners to comply with the insurance provisions of the Financial Instrument.

(d) The Owners shall upon the request of the Charterers, promptly execute such documents as may be required to enable the Charterers to abandon the Vessel to insurers and claim a constructive total loss.

(e) For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 13(a), the value of the Vessel is the sum indicated in Box 29.

14. Insurance, Repairs and Classification - INTENTIONALLY OMITTED

~~*(Optional, only to apply if expressly agreed and stated in Box 29, in which event Clause 13 shall be considered deleted).*~~

~~**(a)** During the Charter Period the Vessel shall be kept insured by the Owners at their expense against hull and machinery and war risks under the form of policy or policies attached hereto. The Owners and/or insurers shall not have any right of recovery or subrogation against the Charterers on account of loss of or any damage to the Vessel or her machinery or appurt- enances covered by such insurance, or on account of payments made to discharge claims against or liabilities of the Vessel or the Owners covered by such insurance. Insurance policies shall cover the Owners and the Charterers according to their respective interests.~~

~~**(b)** During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(iii)) in such form as the Owners shall in writing approve which approval shall not be unreasonably withheld.~~

~~**(c)** In the event that any act or negligence of the Charterers shall vitiate any of the insurance herein provided, the Charterers shall pay to the Owners all losses and indemnify the Owners against all claims and demands which would otherwise have been covered by such insurance.~~

~~**(d)** The Charterers shall, subject to the approval of the repairs, and the Charterers shall undertake settlement of all miscellaneous expenses in connection with such repairs as well as all insured charges, expenses and liabilities, to the extent of coverage under the insurances provided for under the provisions of sub-clause 14(a). The Charterers to be secured reimbursement through presentation of accounts.~~

~~**(e)** The Charterers to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.~~

~~**(f)** All time used for repairs under the provisions of sub-clauses 14(d) and 14(c) and for repairs of latent defects according to Clause 3 above, including any form part of the Charter Period. The Owners shall not be responsible for any expenses as are incident to the use and operation of the Vessel for such time as may be required to make such repairs.~~

~~**(g)** If the conditions of the above insurances permit additional insurance to be placed by the parties such cover shall be limited to the amount for each party set out in Box 30 and Box 31, respectively. The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers is necessary.~~

~~**(h)** Should the Vessel become an actual, constructive, compromised or agreed total loss under the insurances required under sub-clause 14(a), all insurance payments for such loss shall be paid to the Owners, who shall distribute the moneys between themselves and the Charterers according to their respective interests.~~

~~**(i)** If the Vessel becomes an actual, constructive, compromised or agreed total loss under the insurances arranged by the Owners in accordance with sub-clause 14(a), this Charter shall terminate as of the date of such loss.~~

~~**(j)** The Charterers shall upon the request of the Owners, promptly execute such documents as may be required to enable the Owners to abandon the Vessel to the insurers and claim a constructive total loss.~~
~~**(k)** For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 14(a), the value of the Vessel is the sum indicated in Box 29.~~
~~**(l)** Notwithstanding anything contained in sub-clause 10(a), it is agreed that under the provisions of Clause Class fully up to date with the Classification Society indicated in Box 10 and maintain all other necessary certificates in force at all times.~~

15. Redelivery
At the expiration of the Charter Period the Vessel shall be redelivered by the Charterers to the Owners at a safe and ice-free port or place as indicated in Box 16, in such ready safe berth as the Owners may direct. The Charterers shall give the Owners not less than thirty (30) running days' preliminary notice of expected date, range of ports of redelivery or port or place of redelivery and not less than fourteen (14) running days' definite notice of expected date and port or place of redelivery.
Any changes thereafter in the Vessel' position shall be notified immediately to the Owners.
The Charterers warrant that they will not permit the Vessel to commence a voyage (including any preceding ballast voyage) which cannot reasonably be expected to be completed in time to allow redelivery of the Vessel within the Charter Period. Notwithstanding the above, should the Charterers fail to redeliver the Vessel within The Charter Period, the Charterers shall pay the daily equivalent to the rate of hire stated in Box 22 for the number of days by which the Charter Period is exceeded. All other terms, conditions and provisions of this Charter shall continue to apply. Subject to the provisions of Clause 10, the Vessel shall be redelivered to the Owners in the same or as good structure, state, condition and class as that in which she was delivered, fair wear and tear not affecting class excepted and the Charterer shall clean swept holds to be grain ready. The Vessel upon redelivery shall have her survey cycles up to date and trading and valid class certificates valid for at least the number of months agreed in Box 17.

16. Non-Lien
The Charterers will not suffer, nor permit to be continued, any lien or encumbrance incurred by them or their agents, which might have priority over the title and interest of the Owners in the Vessel. The Charterers further agree to fasten to the Vessel in a conspicuous place and to keep so fastened during the Charter Period a notice reading as follows:
"This Vessel is the property of the Owners. It is under charter to the Charterers and by the terms of the Charter Party neither the Charterers nor the Master have any right, power or authority to create, incur or permit to be imposed on the Vessel any lien."

17. Indemnity
(a) The Charterers shall indemnify the Owners against any loss, damage or expense incurred by the Owners arising out of or in relation to the operation of the Vessel by the Charterers, and against any lien of whatsoever nature arising out of an event occurring during the Charter Period. If the Vessel be arrested or otherwise detained by reason of claims or liens arising out of her operation hereunder by the Charterers, the Charterers shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail.
Without prejudice to the generality of the foregoing, the Charterers agree to indemnify the Owners against all consequences or liabilities arising from the Master, officers or agents signing Bills of Lading or other documents.
(b) If the Vessel be arrested or otherwise detained by reason of a claims or claims against the Owners, the Owners shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail.
In such circumstances, the Owners shall indemnify the Charterers against any loss, damage or expense incurred by the Charterers (including hire paid under this Charter) as a direct consequence of such arrest or detention.

18. Lien
The Owners to have a lien upon all cargoes, sub-hires and sub-freights belonging or due to the Charterers and any Bill of Lading freight for all claims under this Charter, and the Charterers to have a lien on the Vessel for all moneys paid in advance and not earned.

19. Salvage
All salvage and towage performed by the Vessel shall be for the Charterers' benefit and the cost of repairing damage occasioned thereby shall be borne by the Charterers.

20. Wreck Removal
In the event of the Vessel becoming a wreck or obstruction to navigation the Charterers shall indemnify the Owners against any sums whatsoever which the Owners shall become liable to pay and shall pay in consequence of the Vessel

becoming a wreck or obstruction to navigation.

21. General Average
The Owners shall not contribute to General Average.

22. Assignment, Sub-Charter and Sale
(a) The Charterers shall not assign this Charter nor sub-charter the Vessel on a bareboat basis except with the prior consent in writing of the Owners, which shall not be unreasonably withheld, and subject to such terms and conditions as the Owners shall approve.
(b) The Owners shall not sell the Vessel during the currency of this Charter except with the prior written consent of the Charterers, which shall always be subject to the buyer accepting an assignment of this Charter.

23. Contracts of Carriage
***) (a)** The Charterers are to procure that all documents issued during the Charter Period evidencing the terms and conditions agreed in respect of carriage of goods shall contain a paramount clause incorporating any compulsorily applicable in the trade; if no such legislation exists, the documents shall incorporate the Hague or Hague-Visby Rules. The documents shall also contain the New Jason Clause and the Both-to-Blame Collision Clause.
~~***) (b)** The Charterers are to procure that all passenger tickets issued during the Charter Period for the carriage of passengers and their luggage under this Charter shall contain a paramount clause incorporating any legislation liability for passengers and their luggage compulsorily applicable in the trade; if no such legislation exists, the passenger tickets shall incorporate the Athens Convention Relating to the Carriage of Passengers and their Luggage by Sea, 1974, and any protocol thereto. **) Delete as applicable.~~

24. ~~Bank Guarantee~~ - INTENTIONALLY OMITTED
~~*(Optional, only to apply if Box 27 filled in)* The Charterers undertake to furnish, before delivery of the Vessel, at first class bank guarantee or bond in sum and the place as indicated in Box 27 as guarantee for full performance of their obligations under this Charter.~~

25. Requisition/Acquisition
(a) In the event of the Requisition for Hire of the Vessel by any governmental or other competent authority (hereinafter referred to as “Requisition for Hire”) irrespective of the date during the Charter Period when length thereof and whether or not it be for an indefinite or a limited period of time, and irrespective of whether it may or will remain in force for the remainder of the Charter Period, this Charter shall not be deemed thereby or thereupon to be frustrated or otherwise terminated and the Charterers shall continue to pay the stipulated hire in the manner provided by this Charter until the time when the Charter would have terminated pursuant to any of the provisions hereof always provided however that in the event of Requisition for Hire” any Requisition Hire or compensation received or receivable by the Owners shall be payable to the Charterers during the remainder of the Charter Period or the period of the “Requisition for Hire” whichever be the shorter.

(b) In the event of the Owners being deprived of their ownership in the Vessel by any Compulsory Acquisition of the Vessel or requisition for title by any governmental or other competent authority (hereinafter referred to as “Compulsory Acquisition”) , then, irrespective of the date during the Charter Period when “Compulsory Acquisition” may occur, this Charter shall be deemed terminated as of the date such “Compulsory Acquisition”, In such event charter hire to be considered as earned and to be paid up to the date and time of such as “Compulsory Acquisition”.

26. War
(a) For the purpose of this Clause, the words “War Risks” shall include any war (whether actual or threatened), act of war, civil war, hostilities, revolution, rebellion, civil commotion, warlike operations, the laying of mines (whether actual or reported), acts of piracy, acts of terrorists, acts of hostility or malicious damage, blockades (whether imposed against all vessels or imposed selectively against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever), by any person, body, terrorist or political group, or the Government of any state whatsoever, which may be dangerous or are likely to be or to become dangerous to the Vessel, her cargo, crew or other persons on board the Vessel.
(b) The Vessel, unless the written consent of the Owners be first obtained, shall not continue to or go through any port, place, area or zone (whether of land or sea), or any waterway or canal, where it reasonably appears that the Vessel, her cargo, crew or other persons on board the Vessel, in the reasonable judgement of the Owners, may be, or are likely to be, exposed to War Risks. Should the Vessel be within any such place as aforesaid, which only becomes dangerous or is likely to be or to become dangerous, after the entry into it, the Owners shall have the right to require the Vessel to leave such area.
(c) The Vessel shall not load contraband cargo, or to pass through any blockade, whether such blockade be imposed

on all vessels, or is imposed selectively in any way whatsoever against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever, or to proceed to an area where she shall be subject, or is likely to be subject to a belligerent's right of search and/or confiscation.

~~**(d)** If the insurers of the war risks insurance, when Clause 14 is applicable, should require payment of premiums and/or calls because, pursuant to the and remain within, any area or areas which are specified by such insurers as being subject to additional premiums because of War Risks, then such premiums and/or calls shall be reimbursed by the Charterers to the Owners at the same time as the next payment of hire is due.~~

(e) The Charterers shall have the liberty:

(i) to comply with all orders, directions, recommendations or advice as to departure, arrival, routes, sailing in convoy, ports of call, stoppages, destinations, discharge of cargo, delivery, or in any other way whatsoever, which are given by the Government of the Nation under whose flag the Vessel sails, or any other Government, body or group whatsoever acting with the power to compel compliance with their orders or directions;

(ii) to comply with the orders, directions or recommendations of any war risks underwriters who have the authority to give the same under the terms of the war risks insurance;

(iii) to comply with the terms of any resolution of the Security Council of the United Nations, any directives of the European ~~Community~~ Union, the effective orders of any other Supranational body which has the right to issue and give the same, and with national laws aimed at enforcing the same to which the Owners are subject, and to obey the orders and directions of those who are charged with their enforcement.

(f) In the event of outbreak of war (whether there be a declaration of war or not) (i) between any two or more of the following countries: the United States of America; Russia; the United Kingdom; France; and the People's Republic of China, (ii) between any two or more of the countries stated in Box 36, both the Owners and the Charterers shall have the right to cancel this Charter, whereupon the Charterers shall redeliver the Vessel to the Owners in accordance with Clause 15, if the Vessel has cargo on board after discharge thereof at destination, or if debarred under this Clause from reaching and entering it at a near open and safe port as directed by the Owners, or if the Vessel has no cargo on board, at the port at which the Vessel then is or if at sea at a near, open and safe port as directed by the Owners. In all cases hire shall continue to be paid in accordance with Clause 11 and except as aforesaid all other provisions of this Charter shall apply until redelivery~~.~~

27. Commission - INTENTIONALLY OMITTED

~~The Owners to pay a commission at the rate indicated in Box 33 to the Brokers named in Box 33 on any hire paid under the Charter. If no rate is indicated in Box 33, the commission to be paid by the Owners shall cover the actual expenses of the Brokers and a reasonable fee for their work. If the full hire is not paid owing to breach of the Charter by either of the parties the party liable therefor shall indemnify the Brokers against their loss of commission. Should the parties agree to cancel the Charter, the Owners shall indemnify the Brokers against any loss of commission but in such case the commission shall not exceed the brokerage on one year's hire.~~

28. Termination

(a) Charterers' Default

The Owners shall be entitled to withdraw the Vessel from the service of the Charterers and terminate the Charter with immediate effect by written notice to the Charterers if:

(i) (1) the Charterers fail to pay hire in accordance with Clause 11. However, where there is a failure to make punctual payment of hire due to oversight, negligence, errors or omissions on the part of the Charterers or their bankers, the Owners shall give the Charterers written notice of the number of clear Banking Days stated in Box 34 (as recognized at the agreed place of payment) in which to rectify the failure, and when so rectified within such number of days following the Owners' notice the payment shall stand as regular and punctual. Failure by the Charterers to pay hire within the number of days stated in Box 34 of their receiving the Owners notice as provided herein, shall entitle the Owners to withdraw the Vessel from the service of the Charterers and terminate the Charter without further notice; or

(2) at any time the total amount of the outstanding and unpaid hires in accordance with clause 11 of this Charter then due exceeds USD334,800 and as long as continues.

(ii) the Charterers fail to comply with the requirements of:

(1) Clause 6 (Trading Restrictions); or

(2) Clause 13(a) (Insurance and Repairs) provided that the Owners shall have the option, by written notice to the Charterers, to give the Charterers a specified number of days grace within which to rectify the failure without prejudice to the Owners' right to withdraw and terminate under this Clause if the Charterers fail to comply with such notice;

(iii) the Charterers fail to rectify any failure to comply with the requirements of sub-clause 10(a)(i) (Maintenance and Repairs) as soon as practically possible after the Owners have requested them to do so in writing and in any event so that the Vessel's insurance cover is not prejudiced.

(iv) if the Guarantor (defined in Clause 37.3 hereof);

(1) the Guarantor ceases to be listed on the New York Stock Exchange and that such de-listing shall have a material adverse effect on the Guarantor's ability to fulfil its respective obligations under the Guarantee to which it is a party; or

(2) has a stockholder's equity (excluding treasury stock and any impairment charges on assets) in accordance with GAAP of below US$ 100 million; or

(3) any proceeding shall be instituted by or against the Guarantor seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and solely in the case of an involuntary proceeding:

(i) such proceeding shall remain undismissed or unstayed for a period of 60 days; or

(ii) any of the actions sought in such involuntary proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or

(4) without the prior written consent of the Owners to cease to carry on its business or any substantial part thereof or shall threaten to dispose of the whole or a substantial part of its assets

(5) all or a material part of the undertakings, assets, rights or revenues of, or shares or other ownership interest in, the Guarantor are seized, nationalized, expropriated or compulsorily acquired by or under authority of any government (provided always that that any wrongful seizure, nationalization, expropriation and/or compulsory acquisition shall be excluded) and such occurrence would adversely affect the Guarantor's ability to perform its obligations under the Guarantee.

In case of (iv) above, upon receiving the Owners' notice the Charterers have the option to purchase the Vessel or accept Owners' notice to withdraw the Vessel or terminate the BBC Charter.

If the Charterers select the Option to purchase the Vessel, the price shall be as per the Purchase Option Price in Clause 35 after the end of year five(5), the price from the Delivery Date until the end of year five(5) shall be reasonably agreed by both parties which shall be calculated based on the Purchase Option Price.

(b) Owners' Default

If the Owners shall by any act or omission be in breach of their obligations under this Charter to the extent that the Charterers are deprived of the use of the Vessel and such breach continues for a period of fourteen (14) running days after written notice thereof has been given by the Charterers to the Owners, the Charterers shall be entitled to terminate this Charter with immediate effect by written notice to the Owners. The Charterers shall be entitled to cease paying hire from the date that they are deprived of the use of the Vessel and have given written notice thereof to the Owners until such date as the Owners comply with their obligations under this Charter again or until termination of this Charter pursuant to this Clause.

(c) Loss of Vessel - See Clause 34

~~This Charter shall be deemed to be terminated if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss. For the purpose of this sub-clause, the Vessel shall not be deemed to be lost unless she has either become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred.~~

(d) Either party shall be entitled to terminate this Charter with immediate effect by written notice to the other party and its Guarantor in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of the other party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangements or composition with its creditors.

(e) The termination of this Charter shall be without prejudice to all rights accrued due between the parties prior to the date of termination and to any claim that either party might have.

29. Repossession

In the event of the termination of this Charter in accordance with the applicable provisions of Clause 28, the Owners shall have the right to repossess the Vessel from the Charterers at her current or next port of call, or at a port or place convenient to them without hindrance or interference by the Charterers, courts or local authorities. Pending physical repossession of the Vessel in accordance with this Clause 29, the Charterers shall hold the Vessel as gratuitous bailee only to the Owners. The Owners shall arrange for an authorised representative to board the Vessel as soon as reasonably practicable following the termination of the Charter. The Vessel shall be deemed to be repossessed by the

Owners from the Charterers upon the boarding of the Vessel by the Owners' representative. All arrangements and expenses relating to the settling of wages, Master, officers and crew shall be the sole responsibility of the Charterers, unless the Charter is terminated pursuant to Clause 28(b) or by the Charterers pursuant to clause 28(d) as a result of an event, order or resolution of the Owners' case.

30. Dispute Resolution

This Contract shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Contract shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause. The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced. The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both parties as if he had been appointed by agreement. If a second arbitrator is appointed in accordance with the Arbitration Act, the two arbitrators shall appoint a third arbitrator. If the two arbitrators are unable to agree upon a third arbitrator within twenty one (21) days after appointment of the second arbitrator, either of the said two arbitrators may apply to the President for the time being of LMAA to appoint the third arbitrator. Nothing herein shall prevent the parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator. In cases where neither the claim nor any counterclaim exceeds the sum of US$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~***) (b)** This Contract shall be governed by and construed in accordance with Title 9 of the United States Code and the Maritime Law of the United States and any dispute arising out of or in connection with this Contract shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgement may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc. In cases where neither the claim nor any counterclaim exceeds the sum of US$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc. current at the time when the arbitration proceedings are commenced. *)~~

~~**(c)** This Contract shall be governed by and construed in accordance with the laws of the place mutually agreed by the parties and any dispute arising out of or in connection with this Contract shall be referred to arbitration at a mutually agreed place, subject to the procedures applicable there.~~

~~**(d)** Notwithstanding (a), (b) or (c) above, the parties may agree at any time to refer to mediation any difference and/or dispute arising out of or in connection with this Contract. In the case of a dispute in respect of which arbitration has been commenced under (a), (b) or (c) above, the following shall apply:~~

~~**(i)** Either party may at any time and from time to time elect to refer the dispute or part of the dispute to mediation by service on the other party of a written party to agree to mediation.~~

~~**(ii)** The other party shall thereupon within 14 calendar days of receipt of the Mediation Notice confirm that they agree to mediation, in which case the parties shall thereafter agree a mediator within a further 14 calendar days, failing which on the application of either party a mediator will be appointed promptly person as the Tribunal may designate for that purpose. The mediation shall be conducted in such place and in accordance with such procedure and on such terms as the parties may agree or, in the event of disagreement, as may be set by the mediator.~~

~~**(iii)** If the other party does not agree to mediate, that fact may be brought to the attention of the Tribunal and may be taken into account by the Tribunal when allocating the costs of the arbitration as between the parties. **(iv)** The mediation shall not affect the right of either party to seek such relief or take such steps as it considers necessary to protect its interest.~~

~~**(v)** Either party may advise the Tribunal that they have agreed to mediation. The arbitration procedure shall continue during the conduct of the mediation but the Tribunal may take the mediation timetable into account when setting the timetable for steps in the arbitration.~~

~~**(vi)** Unless otherwise agreed or specified in the mediation terms, each party shall bear its own costs incurred in the mediation and the parties shall share~~

~~**(vii)** The mediation process shall be without prejudice and confidential and no information or documents disclosed during it shall be revealed to the Tribunal except to the extent that they are disclosable under the law and procedure governing the arbitration. *(Note: The parties should be aware that the mediation process may not necessarily interrupt time*~~

limits.)
(c) If Box 35 in Part I is not appropriately filled in, sub-clause 30(a) of this Clause shall apply. Sub-clause 30(d) shall apply in all cases. ***)*** *Sub-clauses 30(a), 30(b) and 30(c) are alternatives; indicate alternative agreed in Box 35.*

31. Notices (See Clause 43)
(a) Any notice to be given by either party to the other party shall be in writing and may be sent by fax,telex,registered or recorded mail or by personal service.
(b) The address of the Parties for service of such communication shall be as stated in Boxes 3 and 4 respectively.

PART III
PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY
(Optional, only to apply if expressly agreed and stated in Box 37)

1. Specifications and Building Contract
(a) The Vessel shall be constructed in accordance with the Building Contract (hereafter called "the Building Contract") as annexed to this Charter, made between the Builders and the Owners and in accordance with the specifications and plans annexed thereto, such Building Contract, specifications and plans having been counter-signed as approved by the Charterers.
(b) No change shall be made in the Building Contract or in the specifications or plans of the Vessel as approved by consent.
(c) The Charterers shall have the right to send their during the course of her construction to satisfy themselves that construction is in accordance with such approved specifications and plans as referred to under sub-clause (a) of this Clause.
(d) The Vessel shall be built in accordance with the Building Contract and shall be of the description set out therein. Subject to the provisions of sub-clause 2(c)(ii) hereunder, the Charterers shall be bound to accept the Vessel from the Owners, completed and constructed in accordance with the Building Contract, on the date of delivery by the Builders. The Charterers undertake that having accepted the Vessel they will not thereafter raise any claims against the Owners in respect of the Vessel's performance or specification or defects, if any. Nevertheless, in respect of any repairs, replacements or defects which appear within the first 12 months from delivery by the Builders, the Owners shall endeavour to compel the Builders to repair, replace or remedy any defects or to recover from the Builders any expenditure incurred in carrying out such repairs, replacements or remedies. limited to the extent the Owners have a valid claim against the Builders under the guarantee clause of the Building Contract (a copy whereof has been supplied to the Charterers). The Charterers shall be bound to accept such sums as the Owners are reasonably able to recover under this Clause and shall make no further claim on the Owners for the difference between the amount(s) so recovered and the actual expenditure on repairs, replacement or remedying defects or for any loss of time incurred. Any liquidated damages for physical defects or deficiencies shall accrue to the account of the party stated in Box 41(a) or if not filled in shall be shared equally between the parties. The costs of pursuing a claim or claims against the Builders under this Clause (including any liability to the Builders) shall be borne by the party stated in Box 41(b) or if not filled in shall be shared equally between the parties.

2. Time and Place of Delivery
(a) Subject to the Vessel having completed her acceptance trials including trials of cargo equipment inaccordance with the Building Contract and specifications to the satisfaction of the Charterers, the Owners shall give and the Charterers shall take delivery of the Vessel afloat when ready for delivery and properly documented at the dock, wharf or place as may be agreed between the parties hereto and the Builders. Under the Building Contract the Builders have estimated that the Vessel will be ready for delivery to the Owners as therein provided but the delivery date for the purpose of this Charter shall be the date when the Vessel is in fact ready for delivery by the Builders after completion of trials whether that be before or after as indicated in the Building Contract. The Charterers shall not be entitled to refuse acceptance of delivery of the Vessel and upon and after such acceptance, subject to Clause 1(d), the Charterers shall not be entitled to make any claim against the Owners in respect of any conditions, representations or warranties, whether express or implied, as to the seaworthiness of the Vessel or in respect of delay in delivery.
(b) If for any reason other than a default by the Owners under the Building Contract, the Builders become entitled under that Contract not to deliver the Vessel to the Owners, the Owners shall upon giving to the Charterers written notice of Builders becoming so entitled, be excused from giving delivery of the Vessel to the Charterers and upon receipt of such notice by the Charterers this Charter shall cease to have effect.
(c) If for any reason the Owners become entitled under the Building Contract to reject the Vessel the Owners shall,before exercising such right of rejection, consult the Charterers and thereupon **(i)** if the Charterers do not wish to take delivery of the Vessel they shall inform the Owners within seven (7) running days by notice in writing and upon receipt by the Owners of such notice this Charter shall cease to have effect; or

(ii) if the Charterers wish to take delivery of the Vessel they may by notice in writing within seven (7) running days require the Owners to negotiate with the Builders as to the terms on which delivery should be taken and/or refrain from exercising their right to rejection and upon receipt of such notice the Owners shall commence such negotiations and/ or take delivery of the Vessel from the Builders and deliver her to the Charterers;
(iii) in no circumstances shall the Charterers be entitled to reject the Vessel unless the Owners are able to reject the Vessel from the Builders;
(iv) if this Charter terminates under sub-clause (b) or (c) of this Clause, the Owners shall thereafter not be liable to the Charterers for any claim under or arising out of this Charteror its termination.
(d) Any liquidated damages for delay in delivery under the Building Contract and any costs incurred in pursuing a claim therefor shall accrue to the account of the party stated in Box 41(c) or if not filled in shall be shared equally between the parties.

3. Guarantee Works
If not otherwise agreed, the Owners authorise the Charterers to arrange for the guarantee works to be performed in accordance with the building contract terms, and hire to continue during the period of guarantee works. The Charterers have to advise the Owners about the performance to the extent the Owners may request.

4. Name of Vessel
The name of the Vessel shall be mutually agreed between the Owners and the Charterers and the Vessel shall be painted in the colours, display the funnel insignia and fly the house flag as required by the Charterers.

5. Survey on Redelivery The Owners and the Charterers shall appoint surveyors for the purpose of determining and agreeing in writing the condition of the Vessel at the time of re-delivery. Without prejudice to Clause 15 (Part II), the Charterers shall bear all survey expenses and all other costs, if any, including the cost of docking and undocking, if required, as well as all repair costs incurred. The Charterers shall also bear all loss of time spent in connection with any docking and undocking as well as repairs, which shall be paid at the rate of hire per day or pro rata.

PART IV
HIRE/PURCHASE AGREEMENT
(Optional, only to apply if expressly agreed and stated in Box 42)

On expiration of this Charter and provided the Charterers have fulfilled their obligations according to Part I and II as well as Part III, if applicable, it is agreed, that on payment of the final payment of hire as per Clause 11 the Charterers have purchased the Vessel with everything belonging to her and the Vessel is fully paid for.

In the following paragraphs the Owners are referred to as the Sellers and the Charterers as the Buyers.

The Vessel shall be delivered by the Sellers and taken over by the Buyers on expiration of the Charter.

The Sellers guarantee that the Vessel, at the time of delivery, is free from all encumbrances and maritime liens or any debts whatsoever other than those arising from anything done or not done by the Buyers or any existing mortgage agreed not to be paid off by the time of delivery. Should any claims, which have been incurred prior to the time of delivery be made against the Vessel, the Sellers hereby undertake to indemnify the Buyers against all consequences of such claims to the extent it can be proved that the Sellers are responsible for such claims. Any taxes, notarial, consular and other charges and expenses connected with the purchase and account. Any taxes, consular and other charges and shall be for Sellers' account.

In exchange for payment of the last month's hire instalment the Sellers shall furnish the Buyers with a Bill of Sale duly attested and legalized, together with a certificate setting out the registered encumbrances, if any. On delivery of the Vessel the Sellers shall provide deliver a certificate of deletion to the Buyers. The Sellers shall, at the time of delivery, hand to the Buyers all classification certificates (for hull, engines, anchors, chains, etc.), as well as all plans which may

The Wireless Installation and Nautical Instruments, unless on hire, shall be included in the sale without any extra payment.

The Vessel with everything belonging to her shall be at Buyers, subject to the conditions of this Contract and the Vessel with everything belonging to her shall be delivered and taken over as she is at the time of delivery, after which the Sellers shall have no responsibility for possible faults or deficiencies of any description.

The Buyers undertake to pay for the repatriation of the Master, officers and other personnel if appointed by the Sellers to the port where the Vessel entered the Bareboat Charter as per Clause 3 (Part II) or to pay the equivalent cost for their journey to any other place.

PART V
PROVISIONS TO APPLY FOR VESSELS REGISTERED IN A BAREBOAT CHARTER REGISTRY
(Optional, only to apply if expressly agreed and stated in Box 43)

1. Definitions
For the purpose of this PART V, the following terms shall have the meanings hereby assigned to them:
"The Bareboat Charter Registry" shall mean the registry of the State whose flag the Vessel will fly and in which the Charterers are registered as the bareboat charterers during the period of the Bareboat Charter. "The Underlying Registry" shall mean the registry of the state in which the Owners of the Vessel are registered as Owners and to which jurisdiction and control of the Vessel will revert upon termination of the Bareboat Charter Registration.

2. Mortgage
The Vessel chartered under this Charter is financed by a mortgage and the provisions of Clause 12(b) (Part II) shall apply.

3. Termination of Charter by Default
If the Vessel chartered under this Charter is registered in a Bareboat Charter Registry as stated in Box 44, and if the Owners shall default in the payment of any amounts due under the mortgage(s) specified in Box 28, the Charterers shall, if so required by the mortgagee, direct the Owners to re-register the Vessel in the Underlying Registry as shown in Box 45.
In the event of the Vessel being deleted from the Bareboat Charter Registry as stated in Box 44, due to a default by the Owners in the payment of any amounts due under the mortgage(s), the Charterers shall have the right to terminate this Charter forthwith and without prejudice to any other claim they may have against the Owners under this Charter.

Rider Clauses 32 to 45
to be deemed incorporated to the
Bareboat Charter Party
Dated 20th October 2017
(the "Charter")

Between
SBI Rumba Shipping Company Limited as Charterers
and
Hanadahiro Co., Ltd. and Lodestar Shipping & Navigation S.A. jointly and severally as Owners
in respect of the vessel
MV "SBI Rumba"

32. Delivery

(a) Pursuant to the memorandum of agreement dated 20th October 2017 (the "MOA") made between the Owners (in the MOA, the Owners are referred to as the "Buyers") and SBI Rumba Shipping Company Limited (hereinafter referred to as the "Sellers") the parties thereto have agreed for the sale and purchase of the Vessel by the Owners.

(b) The Owners shall give and the Charterers shall take delivery of the Vessel under this Charter on strictly "as is, where is" basis, immediately after the delivery of the Vessel from the Sellers to the Owners under the MOA. The delivery date and time for the purpose of this Charter shall be deemed to be the same date and time as when the Vessel is delivered from the Sellers to the Owners under the MOA. The date when the Charterers take delivery of the Vessel hereunder is referred to as the "Delivery Date".

(c) Provided the Vessel has been delivered to the Buyers in accordance with the terms of the MOA, the Charterers shall not be entitled to refuse acceptance of delivery of the Vessel under this Charter. The Vessel shall be delivered strictly as she is and where she is at the time of delivery without any warranty or guarantee of condition, fitness for purpose or similar type of condition warranty and without any recourse to or representation or warranty from the Owners. The Charterers hereby acknowledge and agree that the Owners make no representation or warranty, express or implied (and whether by statute or otherwise) as to the seaworthiness, merchantability, condition, design, operation, performance, capacity or fitness for use or as to the eligibility of the Vessel for any particular trade or otherwise (collectively referred to as the “Vessel’s Conditions” including those conditions in respect of any belongings to the Vessel). The Charterers waive all their rights to claim to the Owners on any legal grounds whatsoever in respect of the Vessel’s Conditions.

(d) Unless the parties hereto otherwise agree in writing, if the MOA is cancelled, terminated or rescinded for any reason whatsoever this Charter shall terminate automatically without any liability between the parties hereunder.

(e) It is acknowledged that the Charterers at the time of delivery of the Vessel hereunder, own any bunkers, unused lubricating and hydraulic oils and greases in storage tanks and unopened drums and unused stores and provisions (hereinafter referred to as “Remaining Bunkers and Supplies”) remaining on board the Vessel on the Delivery Date and thereby the Owners and the Charterers will not settle Remaining Bunkers and Supplies at the time of delivery of the Vessel hereunder.

33. Charter Period

Subject always to the provisions hereto, the period of the chartering of the Vessel hereunder (hereinafter referred to as the “Charter Period”) shall be nine point five (9.5) years commencing on the Delivery Date, provided always that the chartering of the Vessel hereunder may be terminated pursuant to Clauses 28, 34, 35 or otherwise.

The Charterer has the option to extend the aforesaid initial nine point five (9.5) years for a further zero point five (0.5) year period.

34. Insurance, Total Loss and Compulsory Acquisition

(a) For the purposes of this Charter, the term "Total Loss" shall mean any actual or constructive or compromised or agreed or arranged total loss of the Vessel including any such total loss as may arise during a Requisition for Hire.

(b) The Charterers undertake with the Owners that throughout the Charter Period:-

(i) without prejudice to the Charterers’ obligations under Clause 13 hereof, they (the Charterers) shall keep the Vessel insured on the basis of the London Underwriters “Institute Time Clause-Hull” and “Institute War and Strikes Clauses” as amended, or on such similar terms as shall be reasonably acceptable to the Owners and the Mortgagee with such insurers (including Hull &Machinery, War Risk and P&I associations) as shall be reasonably acceptable to the Owners with deductibles reasonably acceptable to the Owners and that any P&I association which is a member of the International Group of P&I Clubs and current H&M and/or any H&M underwriters with a Standard & Poor’s security rating equal or higher than A - and/or A.M. Best equal or higher than B+ underwriters shall be deemed to be pre-approved (it being agreed and understood by the Charterers that there shall be no element of self-insurance or insurance through captive insurance companies without the prior written consent of the Owners). The Charterers agree that the Owners shall be assured as the co-assured in such insurances;

(ii) the policies in respect of the insurances against fire and usual marine risks and the policies or entries in respect of the insurances against war risks shall, in each case, be endorsed to the effect that payment of a claim for a Total Loss shall be made to the Owners (or the Mortgagees as assignees thereof) (who shall upon the receipt thereof apply the same in the manner described in Clause 34(e) hereof);

(iii) upon request the Charterers shall procure that duplicates of all cover notes, policies and certificates of entry shall be furnished to the Owners for their custody;

(iv) the Charterers shall procure that the insurers and the war risk and protection and indemnity associations with which the Vessel is entered shall:

(A) furnish the Owners and the Mortgagee with a letter or letter of undertaking in such form having regard to general insurance market practice as may from time to time be reasonably required by the Owners; and

(B) supply to the Owners such information in relation to the insurances effected, or to be effected, with them as the Owners may from time to time require; and

(v) the Charterers shall procure that the policies, entries or other instruments evidencing the insurances are endorsed to the effect that the insurers shall give to the Owners not less than fourteen (14) days prior written notification of any amendment, suspension, cancellation or termination of the insurances, unless subject to any automatic termination/cancellation of cover provisions in the relevant insurances, in which event, if such insurances are automatically terminated/cancelled, the Owners shall be advised promptly and Charterers shall immediately procure re-instatement or replacement insurances of those terminated/cancelled insurances.

(c) Notwithstanding anything to the contrary contained in Clause 13 and any other provisions hereof, the Vessel shall be kept insured during the Charter Period in respect of marine and war risks on hull and machinery basis (including increased value if applicable) for not less than the amounts specified in column (b) of the table set out below in respect of the one-year period during the Charter Period specified in column (a) (on the assumption that the first such period commences on the Delivery Date) against such amount (hereinafter referred to as the "Minimum Insured Value"):

Minimum Insured Value

The Minimum Insured Value shall be 110% of the USD 19,550,000 amount from the first (1) year to the end of the fifth (5) year without any de-escalation.

(a) (b)
Year Minimum Insured Value
1st USD 21,505,000
2nd USD 21,505,000
3rd USD 21,505,000
4th USD 21,505,000
5th USD 21,505,000

And after the sixth (6) year, value as follows;

(a) (b)
Year Minimum Insured Value
6th USD 13,824,641
7th USD 12,288,569
8th USD 10,752,497
9th USD 9,216,425
9.5th USD 8,448,389

10th USD 7,680,353

or 110% of the market value of the Vessel as between a willing seller and a willing buyer in charter-free condition (the "Market Value") at the applicable time. If Owners consider the Market Value to be higher than the Minimum Insured Value set out in column (b) above, but the Charterers have not increased the insured value but still followed the Minimum Insured Value set out in column (b) above, then the Owners may, unless the parties agree on the Market Value, request the Charterers to obtain a valuation of the Market Value of the Vessel from Clarksons Shipbrokers, Arrow Valuations or Braemar ACM Shipbroking or another reputable shipbroker agreed upon between the Owners and the Charterers. If the Market Value as determined by the appointed shipbrokers is lower or equal to the Minimum Insured Value at the material time, such shipbrokers' costs of valuation shall be borne by the Owners. If the Market Value as determined by the appointed shipbrokers is higher than the Minimum Insured Value at the material time, such shipbrokers' costs of valuation shall be borne by the Charterers, who shall also arrange for the necessary amendment of relevant insurances.

(d) If the Vessel becomes a Total Loss or becomes subject to Compulsory Acquisition the chartering of the Vessel to the Charterers hereunder shall cease and the Charterers shall:-

(i) immediately pay to the Owners all hire, and any other amounts, which have fallen due for payment under this Charter and have not been paid as at up to the date on which the Total Loss or Compulsory Acquisition occurred as described below (the "Date of Loss") together with interest thereon as set out in Clause 11(f) and shall cease to be under any liability to pay any hire or any other amounts, thereafter becoming due and payable under this Charter. All hire and any other amounts prepaid by the Charterers relating to the period after the Date of Loss shall be forthwith refunded by the Owners and any hire paid in advance to be adjusted/reimbursed:

(ii) For the purpose of ascertaining the Date of Loss:

(A) an actual total loss of the Vessel shall be deemed to have occurred at noon (London time) on the actual date the Vessel was lost but in the event of the date of the loss being unknown the actual total loss shall be deemed to have occurred at noon (London time) on the date on which it is acknowledged by the insurers to have occurred;

(B) a constructive, compromised, agreed, or arranged total loss of the Vessel shall be deemed to have occurred at noon (London time) on the date that notice claiming such a total loss of the Vessel is given to the insurers, or, if the insurers do not admit such a claim, at the date and time at which a total loss is subsequently admitted by the insurers or the date and time adjudged by a competent court of law or arbitration tribunal to have occurred. Either the Owners or, with the prior written consent of the Owners (such consent not to be unreasonably withheld), the Charterers shall be entitled to give notice claiming a constructive total lose but prior to the giving of such notice there shall be consultation between the Charterers and the Owners and the party proposing to give such notice shall be supplied with all such information as such party may request; and

(C) Compulsory Acquisition shall be deemed to have occurred at the time of occurrence of the relevant circumstances described in Clause 25(b) hereof.

(e) All moneys payable under the insurance effected by the Charterers pursuant to Clauses 13 and 34, or other compensation, in respect of a Total Loss or pursuant to Compulsory Acquisition of the Vessel shall be received in full by the Owners (or the Mortgagees as assignees thereof) and applied by the Owners (or, as the case may be, the Mortgagees):

FIRSTLY, in payment of all the Owners' or the Charterers' costs incidental to the collection thereof,

SECONDLY, in or towards payment to the Owners (to the extent that the Owners have not already received the same in full) of a sum equal the aggregate of the Minimum Insured Value and all interest thereon pursuant to Clause 34 (e) hereof,

THIRDLY, in payment of any surplus to the Charterers by way of compensation for early termination.

(f) In respect of partial losses, any payment by the Underwriters not exceeding USD 500,000.- shall be paid directly to the Charterers who shall apply the same to effect the repairs in respect of which payment is made. Any moneys in excess of USD 500,000.- payable under such insurance other than Total Loss shall be paid to the Charterers subject to the prior written consent of the Owners but such consent shall not be unreasonably withheld. In the absence of such prior written consent the money shall be paid to the Owners and/or the Mortgagee.

(g) The provisions of Clauses 13 and 34 hereof shall not apply in any way to the proceeds of any additional insurance cover effected by the Owners and / or the Charterers for their own account and benefit.

35. Charterers' option to purchase the Vessel

35.1 The Charterers have the option (hereinafter the"gPurchase Option"h) to purchase the Vessel at any time during the Charter Period, starting from the 5th Delivery Date anniversary date and until the end of the 9.5th year or, as the case may be, 10th year of the Charter Period, at following prices to be calculated on a pro rata basis based on the date declared by the Charterers in accordance with Clause 35.2 hereof (hereinafter the"gPurchase Option Price"h):

(i) at a price of USD 14,000,000.- at the end of year 5 of this Charter;
(ii) at a price of USD 12,350,000.- at the end of year 6 of this Charter;
(iii) at a price of USD 10,850,000.- at the end of year 7 of this Charter;
(iv) at a price of USD 8,750,000.- at the end of year 8 of this Charter;
(v) at a price of USD 7,100,000.- at the end of year 9 of this Charter,
(vi) at a price of USD 6,275,000.- at the end of year 9.5 of this Charter, and
(vii) at a price of USD 5,450,000.- at the end of year 10 of this Charter.

The Purchase Option Price to be paid to the Owners upon delivery of the Vessel under the Redelivery MOA shall be the following:

The Purchase Option Price = A - [(A-B) / 365 x C]

Where:
A: the amount indicated above at the end of the Charter year immediately prior to the applicable delivery date under the Redelivery MOA
B: the amount indicated above at the end of the Charter year when delivery under the Redelivery MOA is to occur
C: the actual number of days lasting from the commencement of the Charter year in which the delivery date under the Redelivery MOA is to occur

35.2 The Charterers shall declare the Purchase Option by giving to the Owners a minimum of one hundred twenty (120) days prior written notice of their option to exercise to Purchase Option. The Redelivery MOA shall only become effective upon Charterers giving notice in accordance with the provisions of this Clause 35.2.. apply.

35.3 The full amount of the Purchase Price shall be paid to the Owners' nominated account upon delivery of the Vessel in accordance with the Redelivery MOA

35.7 Should the Vessel become a Total Loss between the time when the Purchase Option has been exercised by the Charterers and the proposed transfer date, then this Clause 35 shall cease to apply and Clause 34 shall apply instead.

35.8

35.18 .This Charter and all further rights and obligations of the parties hereunder shall terminate upon the Vessel being delivered to the buyer under the Redelivery MOA (as evidenced by a signed and timed protocol of delivery and acceptance).

35.19 For the avoidance of doubt, the Purchace Option Price includes the value of any belongings to the Vessel at the time of delivery under the Redelivery MOA.

36. Mortgage, notice and quiet enjoyment letter

36.1 The Charterers agree that the Owners shall be entitled at any time to grant to The Hiroshima Bank, Ltd. (the "Mortgagee"), a first ranking mortgage on the Vessel, such security to be on terms agreed between the Owners and the Mortgagee.

36.2 The Owners undertake to procure that the Mortgagee will issue in favour of the Charterers a relevant quiet enjoyment letter in the form set out in **Appendix A** hereto.

36.3 The Charterers shall place and maintain in a conspicuous place in the navigation room and in the cabin of the Master of the Vessel a printed notice in the following form:

NOTICE OF MORTGAGE

“This vessel is subject to a First Preferred Mortgage made by Lodestar Shipping & Navigation S.A. as owner, to THE HIROSHIMA BANK, LTD., as mortgagee, pursuant to the provisions of Chapter 3 of the Marshall Islands Maritime Act of 1990 as amended. Under the terms of the said Mortgage, neither the above owner, nor any charterer nor the Master of this Vessel has any power, right or authority whatever to create, incur or permit to be imposed on this Vessel any lien or encumbrance except for crew's wages and salvage".

37. Assignment and Performance Guarantee

37.1 This Charter shall be binding upon and enure for the benefit of the Owners and the Charterers and their respective successors and permitted assigns.

37.2 The Owners shall not be entitled to assign or transfer any of their rights or obligations under this Charter including Performance Guarantee, unless with the prior written consent of the Charterers, except to (for assignment purposes only, but including assignments of the Owners’ Hull and Machinery, War Risks and P&I insurances in respect of the Vessel) the Mortgagee. Any assignment or transfer by the Owners under this Clause shall be effected without varying any of the rights of the Charterers under this Charter.

37.3 Any and all performances of the Charterers hereunder shall be unconditionally and irrevocably guaranteed by Scorpio Bulkers Inc. (the “Charterers’ Guarantor”) in the form set out in **Appendix B** which shall be saticfactory to the Owners and the Charterers’ Guarantor.

38. Charterers’ disclosure

38.1 Upon Owners reasonable request Charterers during the Charter Period, (i) shall inform the position and voyage details of the Vessel and other relevant information (including but not limited to the name of the sub-charterers and the managers of the Vessel) in a manner satisfactory to the Owners

and however no more than three (3) times during the Charter Period; and (ii) provide a copy of relevant documents of compliance (DOC) and safety management certificate (SMC) of ISM code to the Owners which shall be procured and complied with by the Charterers and the "Company" (as defined by the ISM code and so defined in this Charter) at expense, cost and time of the Charterers during the Charter Period.

38.2 The Owners are entitled to inspect copies of the Vessel's logs and records subject to a prior written notice from the Owners at any reasonable time.

39. Compliance and Sanctions

39.1 Owners' Compliance

(a) The Owners warrant that they have not breached or are not violation of any sanctions regime imposed by the UN and/or the US and/or the EU and/or the U.K. involving countries amongst others, Iran, Syria, Cuba, as of the time of the execution hereof.

(b) Should the Owner appear on the OFAC/SDN list of the U.S. Department of the Treasury before delivery of the Vessel hereunder, then the Owners will be in default and the Charter will automatically and without any further action be terminated. In such case, the Charterers will be entitled to claim any and all reasonable costs, expenses and damages incurred together with interest.

39.2 Charterers' Compliance

(a) The Charterer warrant neither they nor the Vessel nor the intended managers of the Vessel ("Forthcoming Vessel Managers") has breached or is in violation of any sanctions regime imposed by the UN and/or the US and/or the EU and/or the U.K. involving countries but not limited to, Iran, Syria, Cuba, as of the time of the execution hereof.

(b) Should the Charterers and/or the Vessel and/or the Forthcoming Vessel Managers breach Clause 39.2 (a) hereof and/or appear on the OFAC/SDN list of the U.S. Department of the Treasury before delivery of the Vessel hereunder, then the Charterers will be in default and the Charter will automatically and without any further action be terminated. In such case, the Owners shall be entitled to claim any and all reasonable costs, expenses and damages incurred together with interest.

40. Communication

40.1 Except as otherwise provided for in this Charter, all notices or other communications under or in respect of this Charter to either party hereto shall be in writing and shall be made or given to such party at the address, or e-mail address appearing below (or at such other address, or e-mail address as such party may hereafter specify for such purposes to the other by notice in writing):

(a) if to the Owners at:

Lodestar Shipping & Navigation S.A.
53rd E Street, Urbanizacion Marbella, MMG Tower, 16th Floor, Panama, Republic of Panama
Tel : +81-(0)823-87-3533
Fax : +81-(0)823-87-3597
Email : qsfxx921@yahoo.co.jp

Hanadahiro Co., Ltd.
27-10, Higashi 1- Chome, Kawajiri-cho, Kure-city, Hiroshima, Japan 737-2607
Tel : +81-(0)823-87-3533

Fax : +81-(0)823-87-3597
Email : qsfxx921@yahoo.co.jp

(ii) if to the Charterers at:
SBI Rumba Shipping Company Limited
c/o Scorpio Bulkers Inc.
'Le Millenium', 9 Boulevard Charles III
98000 Monaco
Att: Legal Department
Tel : +337-9798-5700
Fax :+337-9777-8346
Email : legal@scorpiogroup.net

or letter shall be deemed to be received upon receipt by the addressee of such communication. Email shall be deemed to be delivered if no failure notice or non-delivery notice is received by the sender of such email within twenty-four (24) hours of sending the relevant email or a delivery receipt message is received by the sender in respect of the relevant email.

40.2 A written notice includes a notice by e-mail. A notice or other communication received on a non-working day or after business hours in the place of receipt shall be deemed to be served on the next following working day in such place. Subject always to the foregoing sentence, any communication by personal delivery or letter shall be deemed to be received on delivery to the addressee of such communication, any communication by e-mail shall be deemed to be received upon receipt of the transmission by the addressee in fully legible form and any communication by facsimile shall be deemed to be received upon appropriate acknowledgment by the addressee's receiving equipment.

40.3 All communications and documents delivered pursuant to or otherwise relating to this Charter shall either be in English or accompanied by a certified English translation.

41. Confidentiality

This Charter including all negotiations, fixtures and written correspondence shall remain strictly confidential between the Owners, the Charterers, the Mortgagee and other relevant parties such as insurance companies in respect of the Vessel.

The provisions of this Charter, and all related documents and negotiations, fixtures and written correspondence are strictly private and con□dential between the Charterers, the Owners, the Owners' financiers/banks and each party will use all reasonable efforts to ensure that no disclosure relating to any of the foregoing will be made or issued by or on behalf of any party to this Charter provided that:

(a) each party may make disclosures with respect to this Charter with the express prior written consent of the other Party and in such case the parties hereto will agree in advance the terms and publication dates of any press announcements .

and

(b) each party may make appropriate disclosures on a need to know basis and subject to similar disclosure restrictions to their respective shareholders or prospective shareholders, bankers or other financiers, or professional advisors, or as necessary to rating agencies, or as required by the rules or regulations of any applicable stock exchange or similar body (whether or not having the force of law), or as required by any court order or applicable law, rule or regulation.

42. Expenses and Taxes

Any annual tonnage tax that relates to the registration of the Vessel with the Marshall Islands shall be paid by the Charterers throughout the Charter Period.

Any and all reasonable and documented legal fees for documentations relating to MOA and the Charter including any addenda, schedule or appendix whatsoever thereto shall be paid by the Charterer promptly against the invoice, throughout the Charter Period.

Any annual corporate tax which is or will be imposed to the Owners shall be paid by the Owners throughout the Charter Period.

43. Miscellaneous

43.1 No failure or delay on the part of either party hereto to exercise any power, right or remedy under this Charter shall operate or be interpreted as a waiver hereof or thereof, nor shall any single or partial exercise by a party hereto of any power, right or remedy preclude any other or further exercise hereof or thereof or the exercise of any other power, right or remedy by such party. No waiver by either party of any of the terms and conditions of this Charter shall be binding unless it is made in writing and delivered to the other party. Any such waiver shall relate only to such matter, non-compliance or breach as it expressly relates to and shall not apply to any subsequent or other matter, non-compliance or breach. In addition, any such waiver may be given subject to any conditions thought fit by the relevant party granting the same.

43.2 Any amendment of any provision of this Charter shall only be effective if the Owners and the Charterers so agree in writing. Any consent by the Owners under this Charter must be made in writing. In addition, any such waiver or consent may be given subject to any conditions thought fit by the relevant party granting the same.

43.3 The remedies provided in this Charter are cumulative and are not exclusive of any remedies provided by law.

43.4 If any provision of this Charter is prohibited or unenforceable in any jurisdiction such prohibition or unenforceability shall not invalidate the remaining provisions hereof or affect the validity or enforceability of such provision in any other jurisdiction.

43.5 This Charter may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Charter by signing any such counterpart.

43.6 Any person who is not a party to this Charter shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

43.7 In the event of any inconsistency in the terms set out in Part I and Part II of this Charter and the Additional Clauses (i.e. Clauses 32 to 44) of this Charter, then the terms of the Additional Clauses shall prevail.

44. Notice

Any communication (including but not limited to any instruction and/or notice) from or to either of Hanadahiro Co., Ltd. of Japan or Lodestar & Navigation S.A. of Panama in accordance with Clause 40 hereunder shall be accepted by the Charterers as valid and binding instruction or notice from or to the Owners hereunder.

Each of Hanadahiro Co., Ltd. of Japan and Lodestar & Navigation S.A. of Panama shall be jointly and severally be liable with as the Owners under this Charter.

45. Designated Entities

45.1 The provisions of this clause shall apply in relation to any sanction, prohibition or restriction imposed on any specified persons, entities or bodies including the designation of specified vessels or fleets under United Nations Resolutions or trade or economic sanctions, laws or regulations of the European Union or the United States of America.

45.2 The Owners and the Charterers respectively warrant for themselves that at the date of this fixture and throughout the duration of this Charter they are not subject to any of the sanctions, prohibitions, restrictions or designation which prohibit or render unlawful any performance under this Charter or any sublet or any Bills of Lading.

45.3 If at any time during the performance of this Charter either party becomes aware that the other party is in breach of warranty as aforesaid, the party not in breach shall comply with the laws and regulations of any Government to which that party or the Vessel is subject, and follow any orders or directions which may be given by anybody acting with powers to compel compliance, including where applicable the Owners' flag State. In the absence of any such orders, directions, laws or regulations, the party not in breach may, in its option, terminate the Charter forthwith or, if cargo is on board, direct the Vessel to any safe port of that party's choice and there discharge the cargo or part thereof.

45.4 If, in compliance with the provisions of this Clause, anything is done or is not done, such shall not be deemed a deviation but shall be considered due fulfilment of this Charter.

45.5 Notwithstanding anything in this Clause to the contrary, the Owners or the Charterers shall not be required to do anything which constitutes a violation of the laws and regulations of any State to which either of them is subject.

45.6 The Owners or the Charterers shall be liable to indemnify the other party against any and all claims, losses, damage, costs and fines whatsoever suffered by the other party resulting from any breach of warranty as aforesaid.

IN WITNESS HEREOF the Owners and the Charterers have signed and executed TWO COPIES of this Agreement the day and year first written.

For the Owners: For the Charterers:
Lodestar Shipping & Navigation S.A SBI Rumba Shipping Company Limited

_/s/ Hiromitsu Hanada_____ _/s/_Micha Withoft_____
Name: Hiromitau Hanada **Name:** Micha Withoft
Title: Attorney - in - Fact **Title:** Attorney - in - fact

For the Owners:
Hanada Hiro Co., Ltd.

_/s/ Hiromitsu Hanada_____
Name:
Title:

List of Appendices:

Appendix A: Quiet Enjoyment Letter

Appendix B: Form of Performance Guarantees
Appendix C: Redelivery MOA

PERFORMANCE GUARANTEE with respect to the MOA and the Charterparty

To: Hanadahiro Co., Ltd. and Lodestar Shipping & Navigation S.A. (jointly and severally, the "**Buyers**")

Re: m/v SBI Rumba, IMO 9712498 (the "**Vessel**") (i) a Memorandum of Agreement dated 20 October 2017 entered into between SBI Rumba Shipping Company Limited (the "**Sellers**"), as sellers and Buyers, as buyers (as amended, restated, supplemented or otherwise thereto, hereinafter referred to as the "**MOA**") and (ii) a Bareboat Charterparty dated 20 October 2017 entered into between Buyers, as owners and Sellers, as charterers (as amended, restated, supplemented or otherwise modified from time to time, including all appendices, exhibits and schedules thereto, hereinafter referred to as the "**Charterparty**").

in consideration of the payment of the sum of US$1 (United States Dollars One) the receipt and sufficiency of which we hereby acknowledge, we SCORPIO BULKERS INC., incorporated under the laws of the Marshall Islands with registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH 96960, Marshall Islands hereby agree as follows:

1. Unconditionally and irrevocably guarantee the due, punctual and faithful performance by the Sellers of any and all terms, provisions, conditions, obligations and agreements as sellers under the MOA and as charterers under the Charterparty. It is also guaranteed by us that any payment by us under this guarantee shall be made within four (4) banking days (Monaco, London, New York) following your written demand to the address specified in paragraph 3 below, attesting that Sellers have failed without legitimate reason to perform any obligation (payment obligation or otherwise) under the MOA and/or the Charterparty.

2. This guarantee automatically expires and becomes null and void at the earliest of (a) termination of the MOA and/or the Charterparty arising out of in connection with any Buyers' default, (b) redelivery of the Vessel to the Buyers under the Charterparty (except where there is a Sellers' default under the Charterparty in which case this guarantee shall survive until Sellers' obligations to the Buyers under the Charterparty are discharged) or (c) such date when Sellers' obligations as sellers under the MOA and as charterers under the Charterparty are discharged.

3. Any demand for payment or otherwise made under paragraph 1 above shall be addressed as follows: Scorpio Bulkers Inc., "Le Millenium", 9 Boulevard Charles III, 98000 Monaco Attention: Legal Department, E-mail : legal@scorpiogroup.net.

4. We represent and warrant to you that we are duly incorporated and validly existing under the laws of the Marshall Islands, that we have the power to conduct our business as it is now carried on and that this guarantee constitutes valid and legally binding and enforceable obligations on ourselves and it will be the case throughout the continuance of this guarantee.

5. This guarantee shall not be affected by amendment or waiver of the MOA, the Charterparty or the insolvency, bankruptcy or similar proceedings in respect of the Sellers and/or us.

6. If any provision of this guarantee is prohibited or unenforceable in any jurisdiction such prohibition or unenforceability shall not invalidate the remaining provisions hereof or affect the validity or enforceability of such provision in any other jurisdiction.

This guarantee shall in all respects be governed by and construed and take effect according to English law and the parties hereto agree that all claims or disputes arising out of or in connection with this guarantee shall be referred to

arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.
Yours faithfully,

For and on behalf of SCORPIO BULKERS INC.

Name: /s/ Hugh Baker

Title: Chief Financial Officer

Date: 20 October 2017

MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's Memorandum of Agreement for sale and purchase of ships. Adopted by BIMCO in 1956.
Code-name
SALEFORM 2012
Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: **October 19, 2017**

SBI Rumba Shipping Company Limited ~~*(Name of sellers)*~~, hereinafter called the "Sellers" **and whose performance is guaranteed by Scorpio Bulkers Inc.**, have agreed to sell, and
Hanadahiro Co., Ltd. of Japan (to be co-owner of the Vessel having 99% share out of the whole) and Lodestar Shipping & Navigation S.A. of Panama (to be co-owner of the Vessel having 1% share out of the whole) ~~*(Name of buyers)*~~**,jointly and severally** hereinafter called the "Buyers", have agreed to buy:

Name of vessel: **SBI Rumba**

IMO Number: **9712498**

Classification Society: **American Bureau of Shipping**

Class Notation: **A1, Bulk Carrier, BC-A (Holds 2, 4 & 6 may be empty), AMS, ACCU, GRAB (20), CSR**

Year of Build: **2015** Builder/Yard: **Imabari Shipbuilding Co. Ltd.**

Flag: **Marshall Islands** Place of Registration: **Majuro** GT/NT: **45200/28837**

hereinafter called the "Vessel", on the following terms and conditions:

Definitions

"Banking Days" are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation) and **Monaco,The Netherlands and United Kingdom** ~~*(add additional jurisdictions as appropriate)*~~.

"Bareboat Charter" means the bareboat charterparty dated the even date herewith entered into by and between the Sellers as the charterer and the Buyers as the owners whereby the Buyers agree to charter the Vessel to the Sellers upon terms and conditions therein contained.

"Buyers' Nominated Flag State" means **Republic of the Marshall Islands** ~~*(state flag state)*~~.

"Class" means the class notation referred to above.

"Classification Society" means the Society referred to above.

~~"Deposit" shall have the meaning given in Clause 2 (Deposit)~~

~~"Deposit Holder" means _____ *(state name and location of Deposit Holder)* or, if left blank, the Sellers' Bank, which shall hold and release the Deposit in accordance with this Agreement.~~

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

~~"Sellers' Account" means _____ *(state details of bank account)* at the Sellers' Bank.~~

"Sellers' Bank" means **ABN AMRO, Coolsingel 93, 3012 AE Rotterdam, The Netherlands, Swift Code: ABNANL2A, Account number: 06 07 64 06 69; IBAN: NL43 ABNA 0607 6406 69** ~~*(state name of bank, branch and details)*~~ or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

"Sellers' Nominated Bank" means Deutsche Bank AG Filiale Deutschlandgeschaft, Adolphsplatz 7, 20457, Hamburg, Germany

1. Purchase Price

The Purchase Price is ~~**United States Dollars Nineteen Million Five Hundred Fifty Thousand (USD 19,550,000)** *(state currency and amount both in words and figures)*~~.

2. ~~Deposit~~ (not applicable)

~~As security for the correct fulfilment of this Agreement the Buyers shall lodge a deposit of _____% (_____per cent) or, if left blank, 10% (ten per cent), of the Purchase Price (the "Deposit") in an interest bearing account for the Parties with the Deposit Holder within three (3) Banking Days after the date that:~~

~~(i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; and~~

~~(ii) the Deposit Holder has confirmed in writing to the Parties that the account has been opened.~~

~~The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.~~

3. Payment

On delivery of the Vessel, as evidenced by the Protocol of Delivery and Acceptance signed by the respective representative of the Sellers and the Buyers, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices) the Purchase Price shall be paid in full free of bank charges to: (i) the Sellers' Nominated Bank, if applicable (in the amount to be advised by Sellers no later than the date that the Notice of Readiness is given, where no payment is required to be made to the Sellers' Nominated Bank, the Sellers shall advise the Buyers of this no later than the date that the Notice of Readiness is given); and (ii) the Sellers' Bank (the remaining balance or where there is no payment required to be made to the Sellers' Nominated Bank the Purchase Price).

~~On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):~~

~~(i) the Deposit shall be released to the Sellers; and~~

~~(ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers' Account.~~

The Buyers shall remit the Purchase Price to the Sellers' Nominated Bank (if applicable) and Sellers' Bank and the monies shall be visible within three (3) Banking Days after the Sellers tendering to the Buyers the Notice of Readiness for delivery. Buyers shall remit the payment through using conditional payment instructions by way of authencitated MT199 to each of the Sellers' Nominated Bank (if applicable) and the Sellers' Bank to hold the respective sums in escrow to the order of the Buyers or the Buyers' bank for a period of no more than 10 days and in suspense status without allocation to an account and to release the respective sums to the accounts of the Sellers' Nominated Bank (if applicable) and Sellers' Bank against presentation of the Protocol of Delivery and Acceptance of the Vessel duly signed by the Sellers and the Buyers representatives. Interest (if any) accrued on the sum shall be for the account of the Buyers.

4. Inspection

(a)* ~~The Buyers have inspected and accepted the Vessel's classification records~~. The Buyers ~~have also inspected the Vessel at/in _____ (*state place*) on _____ (*state date*) and~~ have accepted the Vessel ~~following this inspection~~ and the sale is outright and definite, subject only to the terms and conditions of this Agreement **and the Bareboat Charter**.

~~**(b)*** The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within _____ (*state date/period*).~~

~~The Sellers shall make the Vessel available for inspection at/in _____ (*state place/range*) within _____(*state date/period*).~~

~~The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.~~

~~The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.~~

~~During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.~~

~~The sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.~~

~~Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.~~

*~~4(a)~~ and ~~4(b)~~ *are alternatives; delete whichever is not applicable. In the absence of deletions, alternative ~~4(a)~~ shall apply.*

5. Time and place of delivery and notices

(a) The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage **or during sea passage** ~~at~~/in **worldwide** (*state place/range)* in the Sellers' option.

Notice of Readiness shall not be tendered before: **15th September 2017** (*date*)

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): **31 October 2017**

(b) The Sellers shall keep the Buyers well informed of the Vessel's itinerary and shall provide the Buyers with ~~twenty (20), ten (10),~~ five (5) ~~and three (3)~~ days' **approximate** notice **of the date of intended delivery and three (3) days definitive notice** of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

(c) If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery ~~the Deposit together with interest earned, if any, shall be released immediately to the Buyers whereafter~~ this Agreement shall be null and void.

6. Divers Inspection / Drydocking (not applicable)

(a)*

~~(i) The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional~~

time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

(ii) If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation** and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

(iii) If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

(b)* The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation**. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(c) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:

(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation**.

(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the

Vessel's class, in which case the Sellers shall pay these costs and expenses.

(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.

(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

**6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

***Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, belonging to the Vessel at the time of inspection used or unused, whether on board or not shall become the Buyers' property, but spares on order are excluded. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional **excluded** items: _____*(include list)*
- any software and database belonging to the Vessel or its managers/agents
Otherwise as per appendix I

All Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: _____*(include list)*

As per appendix I

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **shall remain the property of the Sellers and shall not be included in the sale but shall remain on board the Vessel after delivery.** and pay either:

(a) *the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) *the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port,

for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

**(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

8. Documentation

The place of closing: **Japan**

(a) In exchange for payment of the Purchase Price **and any other sums due under this Agreement,** the Sellers shall provide the Buyers with ~~the following~~ delivery documents **that may be reasonably required by the competent authorities of the Buyers to effect the transfer of the title and registration of the Vessel to Buyers' Nominated Flag State. The delivery documentation (including usual documents from the Buyers evidencing due corporate authority and standing) shall form an addendum to this Agreementand shall be agreed promptly, but agreement on same shall not delay signing of this Agreement.**:

~~**(i)** Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;~~

~~**(ii)** Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;~~

~~**(iii)** Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);~~

~~**(iv)** Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;~~

~~**(v)** Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;~~

~~**(vi)** Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;~~

~~**(vii)** A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;~~

~~**(viii)** Commercial Invoice for the Vessel;~~

~~**(ix)** Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;~~

~~**(x)** A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~

~~**(xi)** Any additional documents as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and~~

~~**(xii)** The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.~~

~~**(b)** At the time of delivery the Buyers shall provide the Sellers with:~~

~~**(i)** Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and~~

~~**(ii)** Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).~~

(c) If any of the documents listed in ~~Sub-clauses (a) and (b) above~~**the documentary addendum** are not in the English language they shall be accompanied by an English translation by an authorised translator or

certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in ~~Sub-clause (a) and Sub-clause (b)~~**the documentary addendum** ~~above~~ for review and comment by the other party not later than **five (5)** ~~*(state number of days),* or if left blank, nine (9)~~ days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

(e) Concurrent with the exchange of documents in ~~Sub-clause (a) and Sub-clause (b)~~**the documentary addendum** above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.

(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

9. Encumbrances

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters **(except for time and/or voyage)**, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

10. Taxes, fees and expenses

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers' Nominated Flag State shall be for the Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

11. Condition on delivery

The Vessel shall be, subject to the terms and conditions of this Agreement, delivered and taken over "as is where is". ~~The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as she was at the time of inspection, fair wear and tear excepted.~~

However, the Vessel shall be delivered ~~free of cargo and~~ free of stowaways with her Class maintained without condition/recommendation*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of ~~inspection~~**this Agreement**, valid and unextended without condition/recommendation* by the Classification Society or the relevant authorities at the time of delivery.

~~"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.~~

**Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

12. Name/markings

Upon delivery the Buyers ~~undertake~~ **shall have the option** to change the name of the Vessel and alter funnel markings.

13. Buyers' default

~~Should the Deposit not be lodged in accordance with Clause 2 (Deposit), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.~~

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement~~., in which case the Deposit together with interest earned, if any, shall be released to the Sellers. If the Deposit does not cover their loss,~~ the Sellers shall be entitled to claim ~~further~~ compensation for ~~their losses and for all~~ **reasonable** expenses

incurred together with interest.

14. Sellers' default

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel. ~~In the event that the Buyers elect to cancel this Agreement, the Deposit together with interest earned, if any, shall be released to them immediately.~~

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall make due compensation to the Buyers for ~~their loss and for all~~ **reasonable** expenses together with interest if their failure is due to proven
negligence and whether or not the Buyers cancel this Agreement.

~~**15. Buyers' representatives**~~

~~After this Agreement has been signed by the Parties and the Deposit has been lodged, the Buyers have the right to place two (2) representatives on board the Vessel at their sole risk and expense.~~

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

16. Law and Arbitration

(a) *This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~**(b)** *This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~**(c)** This Agreement shall be governed by and construed in accordance with the laws of _____ *(state place)* and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at _____ *(state place)*, subject to the procedures applicable there.~~

~~*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of~~

~~*deletions, alternative 16(a) shall apply.*~~

17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: _____

For the Sellers: **Address : c/o Scorpio Bulkers Inc.**
Le Millenium
9 Boulevard Charles III, 98000 Monaco

Attention: Mr. Luca Forgione/ Legal Department

Telephone: +377 97 98 57 00

Telefax: +377 97 77 83 46

Mobile +336 80 86 99 86

Email legal@scorpiogroup.net

18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

Clause 19

19.1 The Sellers warrant neither they nor the Vessel nor the Vessel's manager has breached or is in violation of any Sanctions regime imposed by the UN and/or the US and/or the EU and/or the U.K. involving countries amongst others, Iran, Syria, Cuba. In addition and not withstanding the above, should the Vessel and/or the Sellers and/or the manager of the Vessel appear on the OFAC/SDN list of the U.S. Department of the Treasury before delivery of the Vessel to the Buyers, then the Sellers will be in default and the present Agreement will automatically and without any further action be terminated. The Buyers will be entitled to claim further compensation for their losses and for all expenses incurred together with interest.

19.2 The Buyers warrant that they have not breached or are in violation of any Sanctions regime imposed by the UN and/or the US and/or the EU and/or the U.K. involving countries but not limited to, Iran, Syria, Cuba. In addition to the aforesaid, should the Buyers breach this undertaking and/or appear on the OFAC/SDN list of the U.S. Department of the Treasury before delivery of the Vessel under this Agreement, then the Buyers will be in default and Sellers shall have the option to cancel this Agreement. In such circumstances, the Sellers will be entitled to claim further compensation for their losses and for all expenses incurred together with interest.

Clause 20

The transactions contemplated herein shall be treated as strictly private and confidential, unless: (i) the Parties all agree to disclose the same, or (ii) the existence or any of its terms are required to be disclosed by law or reported to any regulator or regulated exchange, provided always that the Parties shall be at liberty to disclose it to their legal advisors and financial institutions.

Clause 21

Any communication (including but not limited to any instruction or notice) from or to either of Hanadahiro Co., Ltd. of Japan or Lodestar & Navigation S.A. of Panama in accordance with Clause 17 under this Agreement shall be accepted by the Buyers as valid and binding instruction or notice from or to the Sellers hereunder.

Each of Hanadahiro Co., Ltd. and Lodestar & Navigation S.A. of Panama shall jointly and severally be liable as the Sellers under this Agreement.

For and on behalf of the Sellers

Name: _____

Title: _____

For and on behalf of the Buyers

Hanadahiro Co., Ltd. :

Name: _____
Title: _____

Lodestar Shipping & Navigation S.A.:

Name:
Title:

void in the event that Charterers do not declare the purchase option in accordance with clause 35 of the BBCP.

21. Purchase Price Schedule

For the purposes of Clause 1 of this Agreement, the Purchase Price shall be calculated on a pro rata basis the following prices:

(i)at a price of USD 14,000,000.- at the end of year 5 of BBCP;
(ii)at a price of USD 12,350,000.- at the end of year 6 of BBCP;
(iii)at a price of USD 10,850,000.- at the end of year 7 of BBCP;
(iv)at a price of USD 8,750,000.- at the end of year 8 of BBCP;
(v)at a price of USD 7,100,000.- at the end of year 9 of BBCP,
(vi)at a price of USD 6,275,000.- at the end of year 9.5 of BBCP, and
(vii)at a price of USD 5,450,000.- at the end of year 10 of BBCP.

adjusted based on the Purchase Option Declaration Date and the delivery date under this Agreement as per the below formula:

Purchase Price = A - [(A-B) / 365 x C]

Where:
A: the amount indicated above at the end of the BBCP year immediately prior to the applicable delivery date under this Agreement
B: the amount indicated above at the end of the BBCP year when delivery under this Agreement is to occur
C: the actual number of days lasting from the commencement of the BBCP year in which the delivery date under this Agreement occurs.

22. Confidentiality

This Agreement shall be treated as strictly private and confidential, unless its existence or any of its terms is required to be disclosed by law or reported to any regulator or regulated exchange and provided that the parties shall be at liberty to disclose it to their legal advisors and financial institutions.

23.
Any communication (including but not limited to any instruction and/or notice) from or to either of Hanadahiro Co., Ltd. of Japan or Lodestar & Navigation S.A. of Panama in accordance with Clause 17 under this Agreement shall be accepted by the Buyers as valid and binding instruction or notice from or to the Sellers hereunder.

Each of Hanadahiro Co., Ltd. and Lodestar & Navigation S.A. of Panama shall jointly and severally be liable as the Sellers under this Agreement.

For and on behalf of the Sellers

Hanadahiro Co., Ltd.:
Name: Hiroko Hanada
Title: Director / President H. Hanada

Lodestar Shipping & Navigation S.A.:
Name: Hiromitsu Hanada 花田裕充
Title: Attorney-in-Fact

For and on behalf of the Buyers

Name: MICHA WITHOFT
Title: Attorney-in-Fact

THIS DEED OF AMENDMENT (THE "DEED OF AMENDMENT") AMENDS THE MASTER AGREEMENT WITH AN EFFECTIVE DATE AS OF 29 SEPTEMBER 2016 (THE "ORIGINAL MASTER")

This Deed of Amendment to the Original Master is effective as of 1 January 2018 (the "**Amendment Date**")

BETWEEN:

(1) **SCORPIO BULKERS INC.**, a company incorporated under the laws of the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 ("**SALT**") on its own account and as agent for and on behalf of each of its existing wholly owned subsidiaries (as set out in Schedule 1) ("**SPVs**") and certain of its future wholly-owned subsidiaries ("**Future SPVs**") (the SPVs and Future SPVs jointly referred to as the "**SALT SPVs**");

(2) **SCORPIO COMMERCIAL MANAGEMENT S.A.M.**, a company incorporated under the laws of Monaco and having its registered office at 9 Boulevard Charles III, Monaco 98000 ("**SCM**"); and

(3) **SCORPIO SHIP MANAGEMENT S.A.M.**, a company incorporated under the laws of Monaco and having its registered office at 9 Rue du Gabian, Monaco 98000 ("**SSM**");

(each a "**Party**" and together the "**Parties**").

WHEREAS:

(1) The Original Master governs the terms upon which SSM and SCM provide technical and commercial services (respectively) to the SALT SPVs. Pursuant to the terms of the Original Master the Vessels (as therein defined) are managed pursuant to standard technical management terms (the "**Technical Management Terms**") and/or standard commercial management terms (the "**Commercial Management Terms**"), which are set forth in the Original Master as Annex I and Annex II, each as amended and supplemented by the applicable confirmation a form of which is included in Schedule 2 of the Original Master (the "**Confirmation**" and the applicable Confirmation together with the Technical Management Terms being hereinafter the "**Technical Management Agreement**"). The entry of a time chartered Vessel into management by SCM and/or SSM and any amendments to the standard management terms is evidenced by a written confirmation a form of which is included in Schedule 3 of the Original Master (the "**TC Confirmation**").

(2) The Parties have agreed to amend the form of the Technical Management Agreement and TC Confirmation as set forth in this Deed of Amendment.

NOW THEREFORE in consideration of the mutual covenants contained in this Deed of Amendment, the Parties agree as follows:

1. The Technical Management Terms, the form of the Confirmation and TC Confirmation attached to the Original Master shall with effect from the Amendment Date be deleted and replaced with the amended technical management terms as attached hereto as Annex A (the "**New Technical Management Terms**"), the amended form of confirmation as attached hereto as Annex B and the amended form of time charter confirmation as attached hereto as Annex C.
2. The Technical Management Terms in each Technical Management Agreement relating to the SALT SPVs that own and/or bareboat charter vessels listed in Schedule 2 - Owned/Bareboat Chartered Vessels (the "**Owned Vessel Technical Management Agreements**") will with effect from the Amendment Date, be replaced with the New Technical Management Terms. An addendum to each Owned Vessel Technical Management Agreements confirming certain changes shall be issued in the form attached hereto as Schedule 3.
3. SALT, in its capacity as guarantor, hereby confirms that any existing guarantees issued pursuant to the Original Master remain in full force and effect notwithstanding this Deed of Amendment.
4. This Deed of Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.
5. This Deed of Amendment shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Deed of Amendment shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause. The arbitration shall be conducted in accordance with the London Maritime Arbitrators Terms current at the time when the arbitration proceedings are commenced.

6. No provision of this Deed of Amendment shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to this Deed of Amendment.

IN WITNESS WHEREOF this Deed of Amendment has been duly executed as a deed and delivered with effect from 22 February 2018.

Executed as a deed by Cameron Mackey

/s/ Cameron Mackey

Chief Operating Officer **)**

For and on behalf of **)**

Scorpio Bulkers Inc.)

in the presence of Laurice Oso

Signature of Witness /s/ Laurice Oso)

Name, address and occupation of witness Office Assistant

150E 58th Street New York, NY 10155)

Executed as a deed by Cameron Mackey

/s/ Cameron Mackey

Chief Operating Officer)

For and on behalf of)

Scorpio Bulkers Inc.

As agent for and on behalf of each of the SALT SPVs:)

in the presence of Laurice Oso

Signature of Witness /s/ Laurice Oso)

Name, address and occupation of witness Office Assistant

150E 58th Street New York, NY 10155)

Executed as a deed by Aldo Poma

/s/ Aldo Poma

Administrateur Délégué)

For and on behalf of)

Scorpio Commercial Management S.A.M.:)

in the presence of Laura Thompson

Signature of Witness /s/ Laura Thompson)

Name, address and occupation of witness Legal Administrator

Le Millenium, 9 Boulevard Charles III, Monaco,MC 98000)

Executed as a deed by Francesco Bellusci

/s/ Francesco Bellusci)

For and on behalf of Administrateur Délégué

)

Scorpio Ship Management S.A.M.:)

in the presence of Laura Thompson

Signature of Witness /s/ Laura Thompson)

Name, address and occupation of witness Legal Administrator)

C/O Scorpio Commercial Management SAM

Le Millenium, 9 Boulevard Charles III, Monaco,MC 98000

Schedule 1

1	**SBI Achilles Shipping Company Limited**
2	**SBI Alhambra Shipping Company Limited**
3	**SBI Antares Shipping Company Limited**
4	**SBI Apollo Shipping Company Limited**
5	**SBI Aries Shipping Company Limited**
6	**SBI Athena Shipping Company Limited**
7	**SBI Avanti Shipping Company Limited**
8	**SBI Bolero Shipping Company Limited**
9	**SBI Bravo Shipping Company Limited**
10	**SBI Capoeira Shipping Company Limited**
11	**SBI Carioca Shipping Company Limited**
12	**SBI Chartering and Trading Ltd.**
13	**SBI Conga Shipping Company Limited**
14	**SBI Cougar Shipping Company Limited**
15	**SBI Cronos Shipping Company Limited**
16	**SBI Echo Shipping Company Limited**
17	**SBI Electra Shipping Company Limited**
18	**SBI Flamenco Shipping Company Limited**
19	**SBI Gemini Shipping Company Limited**
20	**SBI Hera Shipping Company Limited**
21	**SBI Hercules Shipping Company Limited**
22	**SBI Hermes Shipping Company Limited**
23	**SBI Hydra Shipping Company Limited**
24	**SBI Hyperion Shipping Company Limited**
25	**SBI Jaguar Shipping Company Limited**
26	**SBI Jive Shipping Company Limited**
27	**SBI Lambada Shipping Company Limited**
28	**SBI Leo Shipping Company Limited**
29	**SBI Libra Shipping Company Limited**
30	**SBI Lynx Shipping Company Limited**
31	**SBI Lyra Shipping Company Limited**
32	**SBI Macarena Shipping Company Limited**
33	**SBI Maia Shipping Company Limited**
34	**SBI Mazurka Shipping Company Limited**
35	**SBI Orion Shipping Company Limited**
36	**SBI Parapara Shipping Company Limited**
37	**SBI Pegasus Shipping Company Limited**
38	**SBI Perseus Shipping Company Limited**
39	**SBI Phoebe Shipping Company Limited**
40	**SBI Phoenix Shipping Company Limited**
41	**SBI Pisces Shipping Company Limited**
42	**SBI Poseidon Shipping Company Limited**
43	**SBI Puma Shipping Company Limited**
44	**SBI Reggae Shipping Company Limited**
45	**SBI Rock Shipping Company Limited**
46	**SBI Rumba Shipping Company Limited**
47	**SBI Samba Shipping Company Limited**
48	**SBI Samson Shipping Company Limited**
49	**SBI Sousta Shipping Company Limited**
50	**SBI Subaru Shipping Company Limited**
51	**SBI Swing Shipping Company Limited**

52	**SBI Tango Shipping Company Limited**
53	**SBI Taurus Shipping Company Limited**
54	**SBI Tethys Shipping Company Limited**
55	**SBI Thalia Shipping Company Limited**
56	**SBI Ursa Shipping Company Limited**
57	**SBI Virgo Shipping Company Limited**
58	**SBI Zeus Shipping Company Limited**
59	**SBI Zumba Shipping Company Limited**
60	**Cavendish Shipping Limited**
61	**Fitzroy Shipping Limited**
62	**Bedford Shipping Limited**
63	**Sloane Shipping Limited**
64	**Belgrave Shipping Limited**
65	**Grosvenor Shipping Limited**
66	**St James Shipping Limited**
67	**OPT Value Acq 1 Limited**
68	**OPT Value Acq 2 Limited**
69	**OPT Value Acq 3 Limited**
70	**OPT Value Acq 4 Limited**

Schedule 2
Confirmations

Owned/Bareboat Chartered Vessels

	Vessel Name	Date of Confirmation
		Technical
1	SBI Achilles	18 August 2014
2	SBI Antares	18 July 2014
3	SBI Apollo	18 July 2014
4	SBI Aries	20 December 2017
5	SBI Athena	18 July 2014
6	SBI Bolero	18 July 2014
7	SBI Bravo	18 July 2014
8	SBI Capoeira	18 July 2014
9	SBI Carioca	18 July 2014
10	SBI Conga	18 July 2014
11	SBI Cougar	28 December 2017
12	SBI Cronos	18 July 2014
13	SBI Echo	18 July 2014
14	SBI Electra	18 July 2014
15	SBI Flamenco	18 July 2014
16	SBI Gemini	29 November 2017
17	SBI Hera	18 July 2014
18	SBI Hercules	18 July 2014
19	SBI Hermes	18 July 2014
20	SBI Hydra	18 July 2014
21	SBI Hyperion	18 July 2014
22	SBI Jaguar	21 December 2017
23	SBI Jive	18 July 2014
24	SBI Lambada	18 July 2014
25	SBI Leo	18 July 2014
26	SBI Libra	8 November 2017

27	SBI Lyra	18 July 2014
28	SBI Macarena	18 July 2014
29	SBI Maia	18 July 2014
30	SBI Mazurka	18 July 2014
31	SBI Orion	18 July 2014
32	SBI Parapara	18 July 2014
33	SBI Pegasus	18 July 2014
34	SBI Perseus	18 July 2014
35	SBI Phoebe	18 July 2014
36	SBI Phoenix	18 August 2014
37	SBI Pisces	20 December 2017
38	SBI Poseidon	18 July 2014
39	SBI Puma	13 December 2017
40	SBI Reggae	18 July 2014
41	SBI Rock	18 July 2014
42	SBI Rumba	18 July 2014
43	SBI Samba	18 July 2014
44	SBI Samson	18 August 2014
45	SBI Sousta	18 July 2014
46	SBI Subaru	18 July 2014
47	SBI Swing	18 July 2014
48	SBI Tango	18 July 2014
49	SBI Taurus	21 December 2017
50	SBI Tethys	18 July 2014
51	SBI Thalia	18 July 2014
52	SBI Ursa	18 July 2014
53	SBI Virgo	20 December 2017
54	SBI Zeus	18 July 2014
55	SBI Zumba	18 July 2014

Schedule 3 Form of deed of addendum to each of the Owned Vessel Technical Management Agreements

This Deed of Addendum number [one/two] to the TMA (the "**Addendum**") is effective as of 1 January 2018

BETWEEN:

(i) **SCORPIO SHIP MANAGEMENT S.A.M.**, a company incorporated under the laws of Monaco and having its registered office at 9 Rue du Gabian, Monaco MC 98000 ("**SSM**");

(ii) **[*],** a company incorporated under the laws of the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 ("**SALT SPV**"); and

(iii) **SCORPIO BULKERS INC.**, a company incorporated under the laws of the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 ("**SALT**");

(each a "**Party**" and together the "**Parties**").

WHEREAS:

(1) SSM and SALT SPV have previously entered into a standard form technical management agreement (the "**TMA**") including the confirmation dated [*] (the "**Confirmation**") [and an addendum number one dated [ ]] pursuant to the terms of the amended and restated master agreement with an effective date as of 29 September 2016 (together, the "**Original Master**") ; and

(2) The Parties have amended the terms of the Original Master pursuant to a deed of amendment effective as of 1 January 2018 (the "**Amended Master**") and the technical management terms included therein (the "**New Standard Form TMA**"). This Addendum confirms the changes effective to the terms of the TMA.

NOW THEREFORE in consideration of mutual covenants contained herein and the payment of $1 by each Party to the other, the receipt and sufficiency of which is acknowledged by each **IT IS AGREED** as follows:

(a) With effect from 1 January 2018, the TMA will be deleted and replaced by the New Standard Form TMA.

(b) The Confirmation [as amended by addendum number one dated [ ]] shall continue to apply as is except that:
[(i) "*Box 11 (Part 1 of the Standard Technical Management Terms) delete "no" and replace with "yes*"" and "*Line 138 to and including line 142 (Part II of the Standard Technical Management Terms) reinstate standard Bimco form wording*" shall be deleted,]

[(i)/[(ii)] the reference to "In respect of the Standard Technical Management Terms, see the attached Annexes" shall be deleted and replaced by "In respect of the Standard Technical Management Terms, Part VI to be deleted and replaced by Part VI attached hereto"; and

[(ii)/(iii)] the reference to "*Box 22, Part 1 of the Standard Technical Management Terms*" shall be deleted and replaced by "*Section 2.2, Part 1 of the Standard Technical Management Terms*".

(c) SALT confirms its guarantee of the performance of the SALT SPV remains in full force and effect notwithstanding the New Standard Form TMA and this Addendum.

(d) This Addendum may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) The law and dispute resolution clause at clause 20 of the New Standard Form TMA shall apply to this Addendum.

(f) No provision of this Addendum shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Addendum.

IN WITNESS WHEREOF this Addendum has been duly executed as a deed and delivered with effect from 2018.

Executed as a deed by Francesco Bellusci)

For and on behalf of)

Scorpio Ship Management S.A.M.:)

in the presence of)

Signature of Witness)

Name, address and occupation of witness)

Executed as a deed by)

For and on behalf of)

[SALT SPV]:)

in the presence of)

Signature of Witness)

Name, address and occupation of witness)

Executed as a deed by)

For and on behalf of)

Scorpio Bulkers Inc.)

in the presence of)

Signature of Witness)

Name, address and occupation of witness)

Attachments to this Addendum: Part VI

Annex A New Technical Management Terms

Annex B - FORM OF CONFIRMATION TO THE AMENDED AND RESTATED MASTER AGREEMENT WITH EFFECTIVE DATE AS OF 29 SEPTEMBER 2016 AS FURTHER AMENDED BY A DEED OF AMENDMENT WITH EFFECTIVE DATE AS OF 1 JANUARY 2018

VESSEL NAME	VESSEL DETAILS	REGISTERED OWNER	DATE OF ENTRY INTO SALT FLEET	DATE OF ENTRY INTO MANAGEMENT BY [SCM AND/OR SSM] PURSUANT TO WHICH THE SALT SPV AND [SCM AND/OR SSM] AGREE TO BE BOUND BY THE [STANDARD COMMERCIAL MANAGEMENT TERMS AND/OR STANDARD TECHNICAL MANAGEMENT TERMS (RESPECTIVELY)] (the "Effective Date")	NOTES / AMENDMENTS TO STANDARD MANAGEMENT TERMS
				[Drafting note: If this is a newbuilding then delivery date as per SBC should be inserted here - actual date NOT on or around]	Notices Address (Section 2.2, Part I, of the Standard Technical Management Terms and Box 22, Part I of the Standard Commercial Management Terms) for the Owners is as follows: [•] C/O 9 Boulevard Charles III, 98000 Monaco MC Tel +377 97985850 Email: management@scorpiogroup.net In respect of the Standard Technical Management Terms, Part VI to be deleted and attached Part VI to apply. In respect of the Standard Commercial Management Terms, the flat management fees payable as per clause 12(a)(i): US$[•] per day pro rata. The Standard Commercial Management Terms are amended with the addition of the following text in clause 12: From the period commencing as of the date that Owners become a Pool Participant (as defined in the Scorpio [•] Pool Agreement ("**Pool Agreement**")) and the Vessel becomes a Pool Vessel (as defined in the Pool Agreement) until the date that Owners cease to be a Pool Participant and the Vessel ceases to be a Pool Vessel the Managers shall be remunerated in accordance with the terms of the Pool Agreement (and for the avoidance of doubt shall not be remunerated in accordance with the terms of this Agreement) ***unless*** the Vessel is in an Off Pool Time Charter (as defined in the Pool Agreement) in which case the Manager shall receive a flat daily management fee of US [•] payable monthly in advance against an invoice, throughout the duration of the Vessel's Off Pool Time Charter. Provided always that the applicable termination fees payable by Owners pursuant to Clause 22 of this Agreement shall be calculated by using the management fee set out under Clause 12(a)(i) and 12(a)(ii) and the Vessel shall not be deemed to be a Pool Vessel (as defined in the applicable pool agreement)".

In respect of the Amended and Restated Master Agreement with effective date as of 29 September 2016 as further amended by a Deed of Amendment with effective date as of 1 January 2018 and entered into by Scorpio Bulkers Inc., Scorpio Bulkers Inc., for and on behalf of existing and future wholly owned vessel

owning subsidiaries, Scorpio Commercial Management S.A.M. and Scorpio Ship Management S.A.M. (the "Master"), [SALT SPV] hereby acknowledges, confirms and accepts the terms of the Master.

Further, [Insert name of SALT SPV] acknowledges that in the event of any inconsistency between the provisions of the Master and this Management Agreement: (i) prior to the Effective Date, the provisions of the Master shall prevail; and (ii) on and after the Effective Date the provisions of this Management Agreement shall prevail.

Scorpio Bulkers Inc. as agent for and on behalf of [*insert name of SALT SPV*]:

Name:

Position:

Date:

[Scorpio Commercial Management S.A.M.] *[if applicable]*

Name:

Position:

Date:

[Scorpio Ship Management S.A.M.] *[if applicable]*

Name:

Position:

Date:

Scorpio Bulkers Inc. as guarantor

Name:

Position:

Date:

[Attachments to Technical Management Confirmation: Part VI]

Annex C - FORM OF TC CONFIRMATION TO THE AMENDED AND RESTATED MASTER AGREEMENT WITH EFFECTIVE DATE AS OF 29 SEPTEMBER 2016 AS FURTHER AMENDED BY A DEED OF AMENDMENT EFFECTIVE AS OF 1 JANUARY 2018 DATE OF CONFIRMATION [X] of Commercial and/or Technical Management Agreement ("Management Agreement")

VESSEL NAME	VESSEL DETAILS	DISPONENT OWNER	DATE OF ENTRY INTO SALT FLEET	DATE OF ENTRY INTO MANAGEMENT BY [SCM AND/OR SSM] PURSUANT TO WHICH THE SALT SPV AND [SCM AND/OR SSM] AGREE TO BE BOUND BY THE [STANDARD COMMERCIAL MANAGEMENT TERMS AND STANDARD TECHNICAL MANAGEMENT TERMS (RESPECTIVELY)] (the "Effective Date")	NOTES / AMENDMENTS TO STANDARD MANAGEMENT TERMS
					Only Standard Commercial Management Terms are amended as follows: **Clause 1 "Time Charter": definition of time charter to be added.** **[Clause 12 to be amended on an individual basis depending on the relevant pool agreement terms to address payment of the management fee during the period where the Vessel is considered a pool vessel]** **Clause 21(a): delete and replace with** **"This Agreement shall come into effect at the date stated in Box 5 and shall continue until terminated by either party giving notice to the other; in which event this Agreement shall terminate on the date on which the Vessel is re-delivered under the Time Charter unless terminated earlier in accordance with Clause 22 ("Termination")"** **Clause 22 (all sub-para): delete all references to ET1, ET2, ET3 and ET4.** **Clause 22(g)(i) delete "an ET2 event, or for" and "or an ET1, ET3 or ET4 event,"** **Clause 22(g) sub clauses (ii) - (vi) inclusive delete** **Technical Management Terms are amended as follows:** **Clause 1 "Time Charter": definition of time charter to be added.** **Clause 17.1: delete and replace with** **"This Agreement shall come into effect at the date stated in Box 5 and shall continue until terminated by either party giving notice to the other; in which event this Agreement shall terminate on the date on which the Vessel is re-delivered under the Time Charter unless terminated earlier in accordance with Clause 17 ("Duration of the Agreement")"** **Clause 17.5 (all sub-para): delete all references to ET1, ET2, ET3 and ET4.** **Clause 17.7 delete "an ET2 event, or for" and "or an ET1, ET3 or ET4 event,"** **Clause 17.7 sub clauses (ii) - (v) inclusive delete** **Part IV and VI to be deleted and attached to apply**

[*insert name of Owner/Disponent Owner*]:

Name:

Position:

Date:

[Scorpio Commercial Management S.A.M.] *[if applicable]*

Name:

Position:

Date:

[Scorpio Ship Management S.A.M.] *[if applicable]*

Name:

Position:

Date:

[Attachments to Technical Management Confirmation: Part IV and VI]

SHIP MANAGEMENT AGREEMENT

MANAGEMENT AGREEMENT

INDEX

SHIP MANAGEMENT AGREEMENT - PART I

1. **Vessel Details**
Name: GT/NT:
Flag: Class:
Type: Year Built:
IMO number:

2.**Owners**
Name:
2.1 **Owners' Registered Address (where the company is registered)** Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands

Country of Incorporation: Marshall Islands
2.2 **Owners' business establishment address (head office and principal place of business)**

As per Confirmation

Telephone Number Fax Number:
Contact Name:Position:

Email address:

3.**Managers**
Name: Scorpio Ship Management S.A.M.
Registered Office: 9 Rue du Gabian, 98000, Monaco
Country of Incorporation: Monaco
IMO Number: 0631141
Telephone Number: +377 97985700Fax Number:
Contact Name: Position:

Email address: fbellusci@scorpio.mc

4. **Guarantor (Clause 28)**
Name: Scorpio Bulkers Inc.

5.**Date of Commencement of Agreement** (Clause 2.1) As per Confirmation

6.**Notices to Owners and Guarantor**: at the Owners' Principal Place of Business address, fax number and email address stated in Box 2

7.**Notices to Managers**: at the address, fax number and email address stated in Box 3

It is mutually agreed between the party mentioned in Box 2 of Part I (hereinafter called "the Owners") and the party mentioned in Box 3 of Part I (hereinafter called "the Managers") and, if applicable, the party mentioned in Box 4 of Part I (hereinafter called "the Guarantor") that this Agreement consisting of PARTS I to VI inclusive shall be performed subject to the conditions contained herein.

DATE OF AGREEMENT:

Signature(s) (Owners) Signature(s) (Managers)

_____ _____

Title: Title:

Signature(s) (Guarantor)

_____

Title:

SHIP MANAGEMENT AGREEMENT - PART II

1. Definitions and Interpretation

1.1 In this agreement (together with the Confirmation, any additional clauses of even date herewith and any schedules (the "Agreement")), in addition to terms defined in Part I, save where the context otherwise requires, the following words and expressions shall have the meanings hereby assigned to them.

"**Approved Broker**" means the affiliated insurance broker of the Manager.

"**Basic Services**" means services relating to Crewing, Technical Management, Purchasing, Insurance, Accounting and Budgeting, Information System Software, Shipboard Oil Pollution Emergency Plan, OPA and Assistance with Sale provided in accordance with Clause 3 as well as Safety and Environmental Compliance Auditing & Training ("SECAT").

"**Change of Control**" means the definition given to it in the Schedule comprising Part VII.

"**Crew Support Costs**" means all expenses of a general nature not particularly referable to any individual vessel for the time being managed by the Managers and incurred for the purpose of providing an efficient and economic management service including, without prejudice to the generality of the foregoing, cost of crew standby pay, training schemes, cadet training schemes, study pay, recruitment and interviews.

"**Fees**" means for the purposes of Clauses 8.5, 11.2 and 17.7 the items set out at part (a)(i) in the Fee Schedule (as the same may be revised from time to time).

"**Fee Schedule**" means the Schedule comprising Part IV or any revised Fee Schedule prepared by the Managers after the date hereof to record adjustments to the fees and expenses payable from time to time under this Agreement.

"**Fleet**" shall mean any vessel owned or operated now or hereafter by the Owners or any parent, subsidiary or associated company of the Owners and the vessels (if any) details of which are set out in Part V hereto or any revised Part V executed after the date hereof.

"**Information System Software**" means the Managers' ship management software in executable object code form as described in Clause 3.6.l as the same may be upgraded and updated from time to time.

"**ISM Code**" means the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention adopted by Resolution A.714 (18) of the International Maritime Organisation on 4 November 1994 and incorporated on 19 May 1994 into the SOLAS Convention 1974 as Chapter IX and any amendment thereto or substitution thereof.

"ISPS Code" means the International Ship and Port Facility Security Code as adopted on 12 December 2002 by resolution 2 of the Conference of Contracting Governments to the International Convention for the Safety of Life at Sea 1974 and any amendment thereto or substitution thereof.

"**Management Services**" means Basic Services and all other functions performed by the Managers under the terms of this Agreement.

"**Master Agreement**" means the deed of Master Agreement as amended and restated effective as of 29 September 2016 and as further amended by a deed of amendment effective as of 1 January 2018 entered into by and between the Guarantor, the Guarantor on behalf of any existing and future wholly owned subsidiaries, Scorpio Commercial Management S.A.M and the Managers.

"**MLC**" means the Maritime Labour Convention 2006 and any amendment thereto, substitution thereof and ratification of the Maritime Labour Convention 2006 in the respective States national law.

"**OPA**" means the United States Oil Pollution Act of 1990, regulations made thereunder, and any amendment thereto or substitution thereof.

"**Severance Costs**" means the costs which the employers are legally obliged to pay to or in respect of the Crew as a result of the early termination of any contract for service on board the Vessel.

"**SMS**" means a Safety Management System in accordance with the ISM Code.

"SSP" means a Ship Security Plan in accordance with the ISPS Code.

"**STCW**" means the International Maritime Organisation Convention on Standards of Training Certification and Watchkeeping for Seafarers 1978, as amended in 1995 and any amendment thereto or substitution thereof.

"**the Vessel**" shall mean the vessel details of which are set out in Box 1 of Part I.

1.2 Clause Headings are inserted for convenience and shall be ignored in construing this Agreement; words denoting the singular number shall include the plural number and vice versa; references to Parts are to Parts of this Agreement; references to Clauses are to Clauses of Part II except where otherwise expressly stated; and references to any enactment include any re-enactments, amendments and extensions thereof.

Interpretation: the Managers, Owners and Guarantor acknowledge and agree that in the event of any inconsistency between the provisions of the Master Agreement and this Agreement: (i) prior to and including the Effective Date (as defined in the Master Agreement) the provisions of the Master Agreement shall prevail; and (ii) after the Effective Date the provisions of this Agreement shall prevail.

2. Appointment of Managers

2.1 With effect from the date stated in Box 5 of Part I (the "Date of Commencement") and continuing unless and until terminated as provided herein, the Owners hereby appoint the Managers and the Managers hereby agree to act as the managers of the Vessel in respect of the Management Services.

2.2 In performing any of the Management Services the Managers shall, as agents for and on behalf of the Owners, have authority to take such steps as the Managers may from time to time in their absolute discretion consider to be necessary to enable them to perform this Agreement in accordance with sound ship management practice.

3. Basic Services

Subject to the terms and conditions herein provided, during the period of this Agreement the Managers shall carry out, as agents for and on behalf of the Owners, the Basic Services in accordance with the following provisions of this Clause.

3.1 Crewing

3.1.1 The Managers shall provide suitably qualified crew for the Vessel in accordance with current STCW requirements, provision of which includes but is not limited to the following functions:

(i) selecting and engaging Master, officers and ratings (hereinafter collectively referred to as the "Crew"); where the Owners make a complaint about any member of the Crew the Managers will promptly investigate the same and if it proves to be justified, replace the Crew member concerned as soon as practicable;

(i) ensuring that the applicable requirements of the law of the flag of the Vessel are satisfied in respect of manning levels, rank, qualification and certification of the Crew, and employment regulations including Crew's tax, social insurance, discipline and other requirements;

(iii) ensuring that all members of the Crew have passed a medical examination with a qualified doctor certifying that they are fit for the duties for which they are engaged and are in possession of valid medical certificates which are valid for the duration of their service onboard the Vessel and issued in accordance with appropriate flag state requirements;

(iv) arranging transportation of the Crew, including repatriation;

(v) supervising the efficiency of the Crew and using the Manager's standard crew appraisal system (written or electronic) and administration of all other Crew matters such as planning for the manning of the Vessel;

(vi) making payroll arrangements, including settling manning and agency expenses for the manning agents in the Crew's country of origin and, if applicable, payment of Severance Costs;

(vii) if requested by the Owners, conducting union negotiations and making agreed payments to unions;

(viii) operating the Managers' Drug and Alcohol Policy;

(ix) arranging Crew training in accordance with STCW (and as provided for in the budget), records of such training being maintained in the Manager's standard format.

3.1.2 **Crew Claims**

The Managers will provide such information as requested by relevant brokers and/or P&I Club managers to enable such brokers or managers to prepare and process all Crew insurance claims.

3.1.3 The Owners agree to implement in full the terms and conditions of employment under which the Crew are engaged by the Managers as agent for the Owners. The Owners shall be the employer of the Crew and under no circumstances shall the Managers be deemed to be the employer of the Crew. If the Vessel is covered by an ITF approved agreement or any other CBA/national agreement the Owners authorize the Managers to sign the ITF Special Agreement or any other CBA/national agreement on their behalf and agree to provide all information necessary for this purpose.

3.1.4 Should the Owners require that their prior approval is given to the engagement of any member of the Crew, the Owners shall be obliged to give such approval within two working days of receipt from the Managers of reasonable details of the proposed appointee.

3.1.5 In the event that any officers or ratings are supplied by the Owners or on their behalf, the Owners shall procure that they comply with the requirements of STCW and MLC. Owners will instruct such officers and ratings to obey all reasonable orders of the Managers.Any such officers or ratings shall, at the Owners' cost, be trained in accordance with the Managers training matrix.

3.1.6 The Managers shall procure that the Crew consent to processing of their personal data for legitimate business purposes. The Owners warrant that personal data of the Crew will be processed in accordance with the requirements of the Data Protection Act 1998 or any other applicable law or regulation.

3.1.7 For the purposes of the MLC to the extent permitted, the Owners shall be deemed "Shipowner" and under no circumstances whatsoever, notwithstanding the Managers agreeing to carry out specific obligations under the MLC on behalf of the Owners, shall the Managers be deemed "Shipowner". It is a condition of this Agreement that the Owners shall provide all Crew with MLC compliant working and living conditions.

3.1.8 The Owners authorize the Managers to sign contracts of employment with the Crew as agent only for and on behalf of the Owners and/or to procure that a seafarer recruitment and placement service, in the country of domicile of a Crew member, signs contracts of employment with such Crew member as agent only for and on behalf of the Owners.

3.1.9 All costs, including consultancy and advisory costs, related to compliance with tax and/or social security obligations shall at all times remain for the account of the Owners.

3.2 Technical Management

The Managers shall provide technical management which includes, but is not limited to the following functions:

(i) provision of personnel to supervise the maintenance and general efficiency of the Vessel;

(ii) arrangement and supervision of drydockings, repairs, modifications to and the upkeep of the Vessel to the standards agreed with the Owners provided that the Managers shall be entitled to incur the necessary expenditure to ensure that the Vessel will comply with all requirements and recommendations of the classification society and equipment manufacturers, and with the laws and regulations of the country of registry of the Vessel and of the places where she trades;

(iii) arrangement of periodic analysis of the bunker fuel, lubricating oils and chemicals by third parties (the costs being included in the Vessel's running costs);

(iv) appointment of surveyors and technical consultants as the Managers may consider from time to time to be necessary;

(v) visits to the Vessel by superintendents or other staff of the Managers for up to 15 days in any calendar year (or pro rata for part of a calendar year) including time spent travelling;

(vi) notifying the Owners of any extraordinary and/or non-budgeted single item of expenditure in excess of US$50,000;

(vii) development, implementation and maintenance of an SMS and an SSP.

3.3 Purchasing

3.3.1 The Managers shall arrange for the supply of necessary victualling, stores, spares, provisions, lubricating oils and services (including drydock services) for the Vessel. To enable the Managers to arrange such supplies on the most advantageous terms, the Managers shall be entitled to join with other parties in making arrangements for bulk purchase. The Managers are presently members of a contracting association and may join other similar associations in the future (any such existing or future association the "Association") providing access to commodities and dry dock services globally. The Association negotiates on behalf of its members with selected suppliers the best available price, terms and conditions for the bulk purchase of goods and services for the marine industry with the aim of offering to members and their clients savings on vessel technical operating costs.

3.3.2 Details of the suppliers contracted by the Association, and prices available for the Vessel at the time of supply shall be made available to Owners upon their request. Owners acknowledge that all information relating to prices is confidential and undertake not to disclose the same to third parties without the prior written consent of the Managers.

3.3.3 Where the Association has negotiated terms and conditions with suppliers of any stores, spares provisions, or lubricating oils ("Goods") and/or suppliers of services required by the Vessel, then the purchase of such Goods and services will, unless operational or other circumstances otherwise require, be undertaken with such suppliers on the basis of the terms and conditions negotiated by the Association.

3.3.4 The Association will where practicable obtain a best price charter from suppliers that the prices for all Goods and services purchased by the Association's members will be the lowest prices available. If the Owners are able to obtain in good faith, on arms' length terms, on a true like for like basis (including quality, certification, timing, manufacturer, place of supply, etc, but ignoring taxes and exchange rate fluctuations), the same Goods and/or services at a lower price than that obtained by the Association, the Owners will supply full details to the Managers who will promptly raise the matter with the Association and pass on to Owners any refund obtained by the Association from the supplier.

3.3.5 The Owners have received details from the Managers of the business rules and operating procedures adopted by the Association, including provisions related to fees that the Association will retain and that the Managers will earn as applicable, and agree to comply with such rules and operating procedures as the same may be amended from time to time.

3.3.6 The Owners acknowledge that they are aware that prices obtained from suppliers require strict adherence to the payment terms agreed with suppliers (normally 45 days from date of invoice), and any failure by the Owners to provide the Managers with funds to settle sums due to suppliers on time will (in the absence of a

good faith dispute) result in an immediate 5% surcharge, and monthly interest charges of 1% per month or part thereof being rigorously applied by suppliers. The Managers are hereby expressly authorised to settle such surcharge and interest charges from any sums held by them on behalf of Owners. The Owners further acknowledge that they are aware if payments to suppliers are regularly made late, or if suppliers are not satisfied with Owners' credit rating, suppliers may refuse to supply at the prices and on the terms negotiated by the Association.

3.4 Insurance

3.4.1 If instructed by the Owners to arrange insurances on their behalf, the Managers shall appoint an Approved Broker, for the placing of insurances, and insurance claims handling, and, if applicable, casualty management.

3.4.2 The Approved Broker shall place such insurances as the Owners shall have instructed or agreed, in particular as regards values, deductibles and franchises. At each renewal the Approved Broker will liaise with the Owners:

(i) as to any changes in insured values required;

(ii) in respect of premiums, franchises and deductibles and any other changes for the new policy year; and

(iii) to update the budget to reflect changes in insurance premiums.

3.4.3 The Approved Broker shall compile such statistics and enter into negotiations with such brokers and P&I Club managers as they consider necessary or desirable in order to arrange for such insurances to be placed.

3.4.4 Once insurances are placed the Approved Broker shall arrange for all cover notes to be checked and for all debit notes to be paid as required.

3.4.5 Unless otherwise indicated by the Owners, the Managers shall provide such information as requested by the Approved Broker to enable the Approved Broker to handle and or procure the settling of all insurance, average and salvage claims in connection with the Vessel.

3.4.6 The services provided by the Approved Broker to the Owners shall, at the Approved Broker’s absolute discretion, terminate on termination of this Agreement.

3.5 Accounting and Budgeting

3.5.1 The Managers shall:

(i) maintain the records of all costs and expenditure incurred hereunder as well as data necessary or proper for the settlement of accounts between the parties;

(ii) establish an accounting system for the Vessel and supply regular reports in accordance therewith in the Managers' standard format or, on agreement of an additional fee, such other form as may be mutually agreed in writing with the Owners.

3.5.2 The Managers shall present to the Owners annually a budget for the following calendar year in the Managers' standard format or such other form as may be mutually agreed in writing. The budget for the period following the date stated in Box 5 of Part I is set out in Part VI. Subsequent annual budgets shall be prepared by the Managers and submitted to the Owners in each year in respect of the following year.

3.5.3 The Owners shall notify the Managers of their acceptance and approval of the annual budget within 14 days of presentation and in the absence of any response the Owners shall be deemed to have accepted the said budget. In the event that the Owners do not accept an annual budget presented by the Managers within the period aforesaid and that budget is, in the opinion of the Managers, fair and reasonable, the Managers shall be entitled to terminate this Agreement by notice in writing, in which event this Agreement shall terminate on the expiry of a period of one (1) month from the date upon which such notice is given.

3.5.4 The Managers shall produce a monthly comparison between budgeted and actual expenditure of the Vessel in the Managers' standard format or, on agreement of an additional fee, such other form as may be mutually agreed in writing.

3.5.5 This Clause 3.5 is subject to the provisions of Part VI.

3.6 Software

3.6.1 The Managers will, subject to the remaining provisions of this Clause 3.6, provide the Owners and the Vessel with software.

3.6.2 The main features of the software at the date of this Agreement are:

(i) comprehensive management software incorporating crew administration, vessel noon reporting, operational and port reporting, defect and deficiency reporting and performance monitoring;

(ii) a ship to shore and shore to ship e-mail package providing cost efficient communications available to both Owners and their charterers; and

(iii) a computerized maintenance system including inventory control and automated purchase order handling. (An initial charge, to be agreed with Owners, may be made for the set-up of the maintenance database, depending on the system currently existing on board the Vessel).

3.6.3 The costs for the software are set out in the Fee Schedule, and are included in the Vessel's running costs, as follows:

(i) the license fee;

(ii) maintenance, updates and upgrades;

(iii) provision of anti-virus software and regular upgrades;

(iv) operational manuals and regular updates;

(v) annual remote audit of the Vessel IT systems providing a system health check;

(vi) user manuals and training of the Crew in the use of the software; and

(vii) e-mail on board the Vessel.

3.6.4 Such costs do not include:

(i) the costs of appropriate hardware on board the Vessel;

(ii) travel and other related costs for installation support of the Information System Software on board the Vessel;

(iii) the set-up cost of the data base for the maintenance system;

(iv) any specific reports specified by the Owners where new data/specialist reporting is required;

3.6.5 Installation and set-up of the software will be undertaken on a date agreed between the Managers and the Owners having regard to the Vessel's schedule and the availability of the Managers' personnel.

3.6.7 Solely for the duration of this Agreement and upon the request of the Owners, the Managers will provide access to software and data.

3.6.8 Software provided by the Managers under this section is under license and is protected by applicable copyright and patent laws. The Owners may not copy any of the software (except for back-up purposes only) or any written materials which accompany it, and may not sell, rent, lease, lend, sub-license, reverse engineer or distribute the software or such written materials.

3.6.9 The Managers do not warrant that the software will meet the Owners' requirements or that the use or operation of the software will be uninterrupted or error free.

3.7 Shipboard Oil Pollution Emergency Plan

3.7.1 The Managers will prepare and obtain all necessary approvals for a shipboard oil pollution emergency plan (“SOPEP”) in a form approved by the Marine Environment Protection Committee of the International Maritime Organization pursuant to the requirements of Regulation 26 of Annex I of the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, as amended (MARPOL 73/78).

3.7.2 The SOPEP will be written in the English language and will be reviewed and updated from time to time. If required the Managers will arrange for the translation of the SOPEP into another language, the cost of translation being recoverable in terms of Clause 8.4.

3.7.3 The Managers will also undertake regular training of the Crew in the use of the SOPEP including drills to ensure that the SOPEP functions as expected and that contact and information details specified are accurate.

3.8 OPA

3.8.1 If instructed by the Owners, the Managers will:

(i) arrange for the preparation, filing and updating of a contingency Vessel Response Plan in accordance with the requirements of OPA and instruct the Crew in all aspects of the operation of such plan;

(ii) identify and ensure the availability by contract or otherwise of a Qualified Individual, a Spill Management Team, an Oil Spill Removal Organization, resources having salvage, firefighting, lightering and, if applicable, dispersant capabilities, and public relations/media personnel to assist the Owners to deal with the media in the event of discharges of oil.

3.8.2 The Managers are expressly authorized as agents for the Owners to enter into such arrangements by Contract or otherwise as are required to ensure the availability of the services outlined in Clause 3.8.1. The Managers are further expressly authorized as agents for the Owners to enter into such other arrangements as may from time to time be necessary to satisfy the requirements of OPA or other Federal or State laws.

3.8.3 The Owners will pay the fees due to third parties providing the services described above together with a fee to the Managers for their services. The level of fees will be included in the Vessel's running costs.

3.8.4 On termination of this Agreement, the Vessel Response Plan and all documentation will be returned to the Managers at the expense of the Owners.

3.9 Assistance with Sale of Vessel

The Managers shall, if requested, provide Owners with technical assistance in connection with any sale of the Vessel. The Managers will, if requested in writing by the Owners, comment on the terms of any proposed Memorandum of Agreement, but the Owners will remain solely responsible for agreeing the terms of any Memorandum of Agreement regulating any sale.

3.10 Vessel trading in high risk areas

In the event that the Vessel is to trade in a high risk area and in particular an area where piracy is prevalent, the Owners and the Managers shall co-operate in order to:

(i) Comply in full with any guidance or Best Management Practices to Deter Piracy issued by recognized maritime organizations and as may be revised from time to time and also with any similar guidance which may be issued for high risk areas.

(ii) Monitor daily guidance and updates provided by Maritime Security Centres established by national authorities in piracy areas and advise the Vessel accordingly.

(iii) Comply with the Managers' guidelines issued for transiting high risk areas as may be revised from time to time. The Managers' guidelines set out their policy of full compliance with BMP and additional guidance and information on Self Protection Measures ("SPM's") including Citadels or Safe Areas. The Owners will be provided with a copy of the guidelines and costs for SPM's will be included in the Vessel budget.

(iv) Where appropriate, ensure the Vessel follows any International Recommended Transit Corridors and complies with requirements for an escorted convoy if available.

(v) Monitor routing recommendations for transiting high risk areas as provided by charterers and insurers and review the same as part of the risk assessment carried out for the transit concerned.

(vi) Provide sufficient Self Protection Measures (SPM) appropriate to the vessel type, size and speed with a view to protecting the Crew as far as possible in the event of an attack. To be determined by the risk assessment required by BMP for the transit concerned and before entering the high risk area.

(vii) Provide training for the Crew in BMP prior to transiting any high risk area.

4. Services provided by Associated Companies

4.1 The Managers hereby disclose to the Owners that, except as instructed otherwise by the Owners in writing, they will, as agents for and on behalf of the Owners, utilize the services of companies associated with the Managers as set out in Part III (or as notified to Owners as set out in any revised Part III prepared by the Managers after the date hereof to record adjustments to the services being provided by associated companies from time to time under this Agreement). The budgets provided pursuant to Clause 3.5.2 will be provided on the basis that the services listed in Part III are provided by associated companies listed therein. The associated companies will charge and retain for their own benefit usual remuneration for the provision of their services (whether in the form of commission or fees).

4.2 The Owners hereby consent to the arrangements set out in Clause 4.1.

5. Managers' Obligations

5.1 The Managers undertake to use their reasonable endeavours to provide the Management Services as agents for and on behalf of the Owners in accordance with sound ship management practice and to protect and promote the interests of the Owners in all matters relating to the provision of Management Services

PROVIDED HOWEVER that the Managers in the performance of Management Services shall be entitled to have regard to their overall responsibility in relation to all vessels which may from time to time be entrusted to their management and in particular, but without prejudice to the generality of the foregoing, the Managers shall be entitled to allocate available supplies, manpower and services in such manner as in the prevailing circumstances the Managers in their absolute discretion consider to be fair and reasonable.

5.2 The Managers shall be deemed to be "the Company" as defined by the ISM Code, assuming the responsibility for the operation of the Vessel and taking over the duties and responsibilities imposed by the ISM Code and by the ISPS Code.

5.3 The Managers shall procure and evidence (upon request of the Owners) ITIC or other equivalent forms of Errors and Omissions insurance for any liability arising out of this contract with particular reference to Clause 11.2

6. Owners' Obligations

6.1 The Owners shall pay all sums due to the Managers punctually in accordance with the terms of this Agreement. Time shall be of the essence in respect of the payment of all such sums.

6.2 The Owners shall procure, whether by instructing the Managers under Clause 3.4.1 or otherwise, that throughout the period of this Agreement the Vessel will be insured at the Owners' expense for not less than sound market value or entered for full gross tonnage, as the case may be, for:

(i) usual hull and machinery risks (including but not limited to crew negligence) and excess liabilities;

(ii) protection and indemnity risks (including but not limited to pollution risks, diversion expenses and crew risks);

(iii) freight, defense and demurrage;

(iv) war risks (including but not limited to blocking and trapping, protection and indemnity, terrorism and crew risks); and

(v) in accordance with MLC, establish insurance to compensate Crew, and/or any officers or ratings supplied by the Owners or on their behalf, for monetary loss that they may incur as a result of the failure of a recruitment and placement service or Owners under the employment agreement, to meet its obligations to them; and

(vi) such other optional insurances as may be agreed (such as piracy, kidnap and ransom, loss of hire)

in accordance with the best practice of prudent owners of vessels of a similar type to the Vessel, with sound and reputable insurance companies underwriters or associations (provided that, protection and indemnity risks must be placed with a member of the International Group of P&I Clubs) ("the Owners' Insurances").

6.4 The Owners shall procure that all premiums and calls on the Owners' Insurances are paid by their due date and that the Owners' Insurances name the Managers and any additional party designated by the Managers as a joint assured for protection and indemnity risks (including pollution risks) and a named assured on all other policies, with the benefit of full cover and full waiver of subrogation. The Owners shall, if applicable, provide the Managers with written evidence thereof to the reasonable satisfaction of the Managers on or prior to the Date of Commencement and/or on the date on which the Managers notify the Owners of the appointment of any additional party and within 7 days of each renewal date. The Owners shall provide Managers with an appropriate certificate of insurance covering any and all liabilities under the MLC including but not limited to financial security in accordance with regulation 2.5.

6.5 As between the Owners and the Managers, the Managers shall not be responsible for paying any premiums or calls arising in connection with such insurances. On termination of this Agreement (howsoever occasioned) or where the Owners make a change in the P&I Club in which the Vessel is entered, the Owners shall procure that the Managers and any additional party designated by the Managers as a joint or named assured shall cease to be a joint or named assured and that they are released from and/or secured for any and all liability for premiums and calls that may arise in relation to the period of this Agreement. For the avoidance of doubt, it is agreed that the Owners shall be liable for all deductibles applying to any insurance policy.

6.6 The Managers shall have the right to obtain confirmation direct from the brokers, underwriters and P&I Clubs through whom the Vessel's insurances are arranged that all premiums calls and contributions due have been paid and that insurances meet the Owners' obligations under Clauses 6.3, 6.4 and 6.5. Where any premiums, calls and/or contributions are not paid, the Managers shall be entitled to pay the same from any funds held by them for the Owners and/or to terminate this Agreement forthwith by notice in writing.

6.7 If the Owners are not the registered owners or the bareboat charterer of the Vessel they shall instruct the Managers in writing whether the Managers are to act as agents under this Agreement for the Owners or the registered owners of the Vessel. If the latter the Owners shall be required to provide to the Managers an appropriate form of authorization to the reasonable satisfaction of the Managers pursuant to which the Managers are authorized to act as agents for the registered owners.

6.8 Upon request, the Owners shall provide the Managers with contact details of the relevant person at the mortgagee bank handling the Owners' account and hereby expressly provide the Managers with authority to contact the mortgagee bank at their discretion. Upon the Date of Commencement, the Owners will authorise the mortgagee bank to co-operate with the Managers and provide information to the Managers, upon their request.

6.9 The Owners shall arrange for the provision of any necessary guarantee bond or other security.

7. Documentation

7.1 On or prior to the Date of Commencement the Owners will deliver to the Managers:

(i) a copy of the Owners' certificate of incorporation;

(ii) full details of any resident registered agent for the registered owner of the Vessel;

(iii) if applicable, a copy of the bareboat charterparty pursuant to which the Owners are disponent owners of the Vessel;

(iv) in the case of a new vessel, the Owners will deliver a copy of the Building Contract and specification, and in the case of a second hand vessel, a copy of the Memorandum of Agreement in terms of which the Owners acquired the Vessel. The Owners shall be entitled to delete any confidential information (such as price) from the Building Contract or Memorandum of Agreement;

(v) if the Owners are not the registered owners or the bareboat charterer of the Vessel, in addition to the above, evidence satisfactory to the Managers of their beneficial interest in the Vessel and of their authorisation from the registered owners to enter into this Agreement; and

(vi) the name and address of any mortgagee bank and the name and address of the bank through which the Owners will pay funds due under this Agreement, if different.

In any event, the Managers reserve the right to request evidence satisfactory to them that the Owners and the Guarantor are in goodstanding and that the person signing this Agreement on their behalf is duly authorized to do so.

7.2 The Owners will on request provide the Managers with full details, in writing, of the ultimate beneficial owners of their share capital.

7.3 The Owners shall be obliged to obtain any required guarantee, bond or other security including, without limitation, the SCAC code and International Carrier Bond as required in order to access the US Bureau of Customs and Border Protection automated manifest system, as required by 68 Fed Reg 68139 and as amended, and USCG Certificate of Financial Responsibility for pollution. The Owners shall also be obliged to obtain any permits, licences or the like required to be obtained by an operator of a vessel including, without limitation, the US EPA vessel general permit.

8. Management Fee

8.1 The Owners shall pay to the Managers the fees and expenses in the amounts stated in the Fee Schedule in respect of the Basic Services which shall be payable by equal monthly installments in advance, the first installment being due and payable one (1) month before the Vessel is handed over to the Managers and subsequent installments being payable monthly in advance.

8.2 (i) If the Managers' superintendents or other associated staff spend more than 15 days visiting the Vessel in any calendar year (or pro rata for part of a calendar year), including time spent travelling, visits and travelling time in excess of 15 days shall be charged at the rate of US$850 per man per day. (ii) In addition to the fee referred to in Clause 8.2(i), the Managers shall charge the Owners US$850 per man per day in respect of time spent by the Managers' superintendents or other staff in providing technical assistance in connection with any casualty, breakdown, emergency or other average incident and, where a tanker management self-assessment vetting is required, the Owners agree to pay US$850 per day in compensation for the additional services provided by the Managers' vetting manager and/or superintendents onshore or onboard the Vessel.

8.3 If the Vessel is placed on time charter, any costs incurred in complying with charterers requirements (including, but not limited to, additional reporting requirements and visits to the charterers) will be paid by the Owners.

8.4 The Managers shall, at no extra cost to the Owners, provide their own office accommodation, office staff and office stationery. The Owners shall reimburse the Managers for all expenses properly incurred under the terms of this Agreement on behalf of the Owners, including, without prejudice to the foregoing generality, postage and communication expenses, Crew Support Costs, vessel documentation, administrative expenses of the SOPEP and SSP, travelling expenses and other out of pocket expenses properly incurred by the Managers in pursuance of the Management Services. The Managers shall allocate among all vessels managed by them on a basis which the Managers consider to be fair and reasonable having regard to the trade of the vessels, the nationality of the crews and other relevant factors.

8.5 In the event of the termination of this Agreement a sum equivalent to three (3) months Fees payable to the Managers according to the provisions of Clauses 8.1 shall, save as mentioned below, be paid no later than the effective date of termination. The only occasions on which the foregoing provision will not apply is: (i) where Clause 17.5 and Clause 17.7 applies or (ii) where the Agreement is properly terminated by the Owners in terms of Clause 17.3 as a result of the Managers' default.

8.6 Fees and expenses payable to the Managers will be reviewed annually with the Owners and shall be adjusted as a minimum by reference to the retail price index relevant to the nexus of services provided by the Managers. Where Management Services are wholly or partly provided by third parties, the fees and expenses therefore shall be adjusted immediately with the approval of the Owners (such approval not to be unreasonably withheld or delayed) to take account of increases in the cost of such services. The Managers will, however, use all reasonable endeavours in negotiations with such third parties to minimise such increases.

8.7 All fees are exclusive of Value Added Taxes or other applicable taxes.
8.8 Save as otherwise provided in this Agreement, all discounts and commissions obtained by the Managers in the course of the management of the Vessel shall be credited to the Owners.
8.9 If as a result of collision, accident, emergency, or any other extraordinary circumstances, the Managers' workload is increased beyond that which the parties could reasonably have anticipated, the Managers shall request (and the Owners shall approve, acting reasonably and without delay) reasonable additional remuneration having regard to the nature of the incident, the personnel and resources of the Managers deployed, and all other relevant circumstances including insurance recoveries.
8.10 If the Owners decide to lay-up the Vessel and such lay-up lasts for more than three (3) months, an appropriate reduction of the management fee for the period exceeding the three (3) months until the Owners give written notice to remobilize the Vessel, shall be mutually agreed between the parties.

9. Payments and Management of Funds

9.1 All sums paid to the Managers by or on behalf of the Owners and all moneys collected by the Managers under the terms of this Agreement (other than fees payable by the Owners to the Managers) shall be held to the credit of the Owners in a separate bank account or accounts which shall be operated by the Managers. The Owners agree to provide to the Managers all information and documentation required to comply with banking "know your customer" procedures.
9.2 Where any sums howsoever arising and whether in respect of fees, budgeted expenditure, non-budgeted expenditure, other liabilities (present, future, liquidated or unliquidated) or expenses are owed to the Managers in connection with the Vessel or the Fleet, the Managers shall be entitled but not obliged at any time or times to apply any sums standing to the credit of the accounts referred to in Clause 9.1 to settle such sums but shall in any event remain payable by the Owners to the Managers on demand.
9.3 On or prior to the Date of Commencement the Owners shall provide to the Managers an amount equivalent to the prorated budgeted days expenditure from the Date of Commencement to the end of the first month in management. In addition all pre-delivery expenses are to be funded promptly by the Owners on request from the Managers. The Owners shall provide an amount equivalent to 1/12 of the annual budget for the first full month on or prior to the 1st day of the first full month of the management period. In subsequent months the Managers shall request amounts for the total anticipated monthly expenditure as laid out in Clause 9.6.

9.4 The Owners agree that on termination of this agreement payment of all sums outstanding under the terms of the agreement are to be made in advance of the Vessel leaving management. The sum will include without prejudice to the generality of the foregoing, any amounts due to be paid to suppliers and other third parties (as evidenced, in the absence of manifest error, by an accounts payable listing produced by the Managers) and any outstanding accruals for invoices not yet received. The Owners irrevocably undertake to pay forthwith on request from the Managers any other sums which become due after the effective date of termination.
9.5 The Managers shall each month request (by e-mail) from the Owners the funds required to run the Vessel for the ensuing month. Such request will be for the total of the anticipated monthly expenditure, including, without prejudice to the generality of the foregoing, any sums due to be paid to suppliers and other third parties in the ensuing month (as conclusively evidenced, in the absence of manifest error, by an accounts payable listing produced by the Managers) and any outstanding accruals for invoices not yet received. In addition, the Owners shall provide the Managers upon request with any funds which the Managers may request to cover any unbudgeted, unexpected, occasional or extraordinary item of expenditure. All such funds shall be received by the Managers within five (5) days after the receipt of such requests and shall be held to the credit of the Owners in the account(s) referred to in Clause 9.1. The Managers shall be entitled to allocate such funds in such manner as the Managers determine, and it shall not be open to the Owners to direct the Managers otherwise and under no circumstances shall any funds received be held on trust by the Managers for any specific purpose.
9.6 Notwithstanding anything contained herein, the Managers shall in no circumstances be required to use or commit their own funds to finance the provision of the Management Services and all payments due shall be made punctually to the Managers (and not any third party) in accordance with the terms of this Agreement in full without any deduction whatsoever.
9.7 Where the Owners delay settling any sums due to the Managers the Owners shall pay interest thereon from the due date until the date of payment at 3% per cent over one (1) month LIBOR.
9.8 In addition to the funds referred to above the Owners shall pay and/or reimburse the Managers in respect of all expenses incurred prior to the Date of Commencement including, but not limited to, riding crew wages, initial crew movements, crew standby expenses, communication and liaison expenses and ITF welfare contributions.

10. Managers' Right to Sub-Contract

10.1 The Managers shall be entitled to procure performance of the Basic Services by their parent, subsidiary or associated companies (hereinafter collectively called the "Sub-Managers") in accordance with the following provisions of this Clause 10.1:

(i) Manager shall remain fully liable for the due performance of their obligation under this Agreement but performance of all or any of the Managers' obligations by the Sub-Managers shall be and constitute full and sufficient performance by the Managers of their obligations hereunder; and

(ii) the Owners hereby agree with the Managers that insofar as the Sub-Managers perform the obligations of the Managers the Sub-Managers shall be entitled to the benefits of the provisions of Clause 11;

10.2 The provisions of Clause 10.1 shall remain in force notwithstanding termination of this Agreement.

11. Responsibilities

11.1 Force Majeure

11.1.1 Neither the Owners nor the Managers shall be liable for any loss or damage or total or partial failure to perform this Agreement (other than a failure to perform an obligation to pay money) caused wholly or partly by any circumstance or matter beyond the reasonable control of the relevant party, as the case may be, including (without limiting the generality of the foregoing) acts of God, acts of governmental authorities, fires, strikes, floods, epidemics, quarantine restrictions, wars, insurrections, riots, violent demonstrations, criminal offences, acts and omissions of civil or military authority or of usurped power, requisition or hire by any governmental or other competent authority, embargoes, acts of terror, and cyber attacks.
11.1.2 Where a party seeks to rely upon a force majeure event as described in Clause 11.1.1 it will advise the other party of the force majeure event at the earliest opportunity and also advise that party of the likely duration of such force majeure situation.

11.2 Liability to Owners

(i) Without prejudice to Clause 11.1, the Managers shall be under no liability whatsoever to the Owners for any loss, damage, delay or expense of whatsoever nature, whether direct or indirect, (including but not limited to loss of profit arising out of or in connection with detention of or delay to the Vessel) and howsoever arising in the course of performance of the Management Services

UNLESS same is proved to have resulted solely from the negligence, gross negligence or wilful default of the Managers or their employees or agents, or sub-contractors employed by them in connection with the Vessel, in which case (save where loss, damage, delay or expense has resulted from the Managers'

personal act or omission committed with the intent to cause same or recklessly and with knowledge that such loss, damage, delay or expense would probably result) the Managers' liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a total of ten times the annual Fees payable hereunder for Basic Services.

(ii) Notwithstanding anything that may appear to the contrary in this Agreement, the Managers shall not be liable for any of the acts or omissions of the Crew even if such acts or omissions are negligent, grossly negligent or wilful, except only to the extent that they are shown to have resulted solely from a failure by the Managers to discharge their obligations under Clause 3.1 in which case their liability shall be limited in accordance with the terms of this Clause 11.

11.3 Indemnity - General

Except to the extent and solely for the amount therein set out that the Managers would be liable under Clause 11.2, the Owners hereby undertake to keep the Managers and their employees, agents and sub-contractors indemnified and to hold them harmless against all actions, proceedings, claims, demands or liabilities whatsoever or howsoever arising out of or in connection with the performance of this Agreement, including, but not limited to, any and all liability arising under the MLC, and against and in respect of all costs, loss, damages and expenses (including legal costs and expenses on a full indemnity basis) which the Managers may suffer or incur (either directly or indirectly) in the course of the performance of this Agreement. The rights of indemnity hereunder shall accrue when any claim or liability is first notified to the Managers or the Managers become aware of the same.

11.4 Indemnity - tax

Without prejudice to the general indemnity set out in Clause 11.3, the Owners hereby undertake to keep the Managers, their employees, agents and sub-contractors indemnified and to hold them harmless against all taxes, including customs duties, import VAT or any other indirect taxes, imposts and duties levied by any government as a result of the trading or other activities of the Owners or the Vessel or the Fleet and that whether or not such taxes, imposts and duties are levied on the Owners or the Managers when acting as agents on behalf of the Owners.

11.5 "Himalaya"

It is hereby expressly agreed that no employee or agent of the Managers (including every sub-contractor from time to time employed by the Managers and the employees of such sub-contractors) shall in any circumstances whatsoever be under any liability whatsoever to the Owners for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Clause, every exemption, limitation, condition and liberty herein contained and every right, exemption from liability defence and immunity of whatsoever nature applicable to the Managers or to which the Managers are entitled hereunder shall also be available and shall extend to protect every such employee or agent of the Managers acting as aforesaid and for the purpose of all the foregoing provisions of this Clause 11 the Managers are or shall be deemed to be acting as agent or trustee on behalf of and for the benefit of all persons who are or might be their servants or agents from time to time (including sub-contractors as aforesaid) and all such persons shall to this extent be or be deemed to be parties to this Agreement.

11.6 Consequential Loss

Neither party shall be liable to the other for any Consequential Loss (as defined herein) whatsoever arising out of or in connection with the performance or non-performance of this Agreement, in tort, statute or otherwise at law. "Consequential Loss" means (a) consequential loss under the applicable law (whether in contract, tort (including, but not limited to, negligence and misrepresentation), breach of statutory duty, or otherwise); and (b) loss and/or deferral of production, loss of product, loss of use, loss of revenue, profit or anticipated profit (if any), in each case whether direct or indirect to the extent that these are not included in sub-paragraph (a) herein and whether or not foreseeable at the date of commencement of the Agreement.

11.7 The provisions of Clause 11 shall remain in force notwithstanding termination of this Agreement.

1. **Liens**

12.1 Managers shall only have the benefit of any liens arising by operation of law or otherwise in the ordinary course of the management of the Vessel.

1. **Claims/Disputes**

13.1 If required the Managers shall handle and settle claims arising out of the Management Services hereunder and keep the Owners informed regarding any incident of which the Managers become aware which gives or may give rise to claims or disputes involving third parties.

13.2 The Managers shall, as instructed by the Owners, bring or defend actions, suits or proceedings in connection with matters entrusted to the Managers according to this Agreement.

13.3 The Managers shall have power to obtain legal or technical or other outside expert advice in relation to the handling and settlement of claims and disputes or all other matters affecting the interests of the Owners in respect of the Vessel.

13.4 The Owners shall pay to the Managers a fee for time spent by the Managers in carrying out their obligations under Clause 13 and such fee shall be charged at the rate of US$850 per man per day of 8 hours. Where the Approved Broker has been appointed pursuant to Clause 3.4 for the placing of insurances no additional fee will be charged for insurance claims handling. In addition any costs incurred by the Managers in carrying out their obligations according to Clause 13 shall be reimbursed by the Owners.

13.5 The Owners acknowledge that the Managers use MTI Network for crisis management response and agree to reimburse any fees additional to the annual retainer of MTI Network (as included in the budget) which may be incurred.

14. Auditing, Records

14.1 The Managers shall at all times maintain and keep true and correct accounts and shall make the same available at the Managers' offices for inspection and auditing by the Owners at such times as may be mutually agreed. The Owners agree that the Managers shall be entitled to charge for their reasonable costs and expenses should the Owners require copies of supplier invoices and related documentation.

14.2 The Managers shall be entitled to electronically archive all of the Vessel's records and arrange safe storage of the same, the costs being included in the Vessel's running costs.

14.3 All accounting and other records relating to the Vessel will be retained by the Managers in accordance with any applicable internal policy and subject to statutory requirements. For the period during which records are retained Owners may request a copy to be delivered to them at their own expense.

14.4 The Managers may request and the Owners shall, in a timely manner, make available all documentation, information and records reasonably required by the Managers to enable them to perform the Management Services.

15. Inspection of Vessel

The Owners shall have the right at any time to inspect the Vessel for any reason they consider necessary. The Owners will, where practicable, give reasonable notice to the Managers of their intention to visit the Vessel.

16. Compliance with Laws and Regulations

16.1 Owners and Managers undertake, represent and warrant that on concluding this Agreement neither they, Crew, nor any of their employees or agents is a Sanctioned Person.

16.2 Owners and Managers warrant compliance with Global Trade Laws in all respects related directly or indirectly to the performance of this Agreement and undertake that they will not, through any act or omission, place the other in violation of Global Trade Laws.

16.3 The parties will not do or permit anything to be done which might cause any breach or infringement of the laws and regulation of the country of registry of the Vessel, and of the places where she trades, provided always that each parties' obligations under this Clause will relate to matters in which they are in fact capable of fulfilling and on the understanding that each receive all necessary co-operation and information from the other and, in the case of the Managers, the funding from the Owners, provided for in this contract.

16.4 Owners and Managers accept that the United States, the European Union, and other relevant authorities may from time to time establish or change the applicable Global Trade Laws and both parties acknowledge that such an event may render continued performance by either or both under this Agreement illegal or unlawful. In that event and if either party terminates this Agreement due to a change in U.S., EU, or other applicable sanctions (including without limitation the "snap back" of U.S or EU sanctions with respect to Iran in connection with the Joint Comprehensive Plan of Action), both parties agree that (i) such termination shall not constitute a breach of this Agreement by the party terminating and the other party waives any and all claims against the terminating party for any loss, cost or expense, including consequential damages that the other party may incur by virtue of such termination; and (ii) both parties agreed to take reasonable steps to cooperate in winding down this Agreement.

16.5 In this Clause the following words and expressions shall have the meanings hereby assigned to them:

"Embargoed Country" means any country or geographic region subject to comprehensive economic sanctions or embargoes administered by OFAC or the European Union, including without limitation Cuba, Iran, North Korea, Sudan, Syria, and the Crimea region.

"Global Trade Laws" means the U.S. Export Administration Regulations; the U.S. International Traffic in Arms Regulations; the economic sanctions rules and regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") as well as any relevant Executive Orders; the economic sanctions rules and regulations administered by the United Kingdom's European Union ("E.U.") Council Regulations on export controls, including Nos. 428/2009, 267/2012; other E.U. Council sanctions regulations, as implemented in E.U. Member States; United Nations sanctions policies; all relevant regulations made under any of the foregoing; and other applicable economic sanctions or export and import control laws.

"Sanctioned Person" means at any time: (a) any person or entity included on: OFAC's Specially Designated Nationals and Blocked Persons List, the Sectoral Sanctions Identifications List, or the Foreign Sanctions Evaders List; the E.U.'s Consolidated List of Sanctions Targets; or any similar list; (b) any person resident in, or entity organized under the laws of, an Embargoed Country; or (c) any person or entity majority-owned or controlled or acting on behalf of any of the foregoing.

17. Duration of the Agreement

17.1 Termination by Notice

This Agreement shall come into effect on the Date of Commencement (except that the Managers are authorised, prior to such date to do all such things in respect of which it shall be entitled to be paid or reimbursed pursuant to Clause 9.9) and shall continue thereafter until terminated by either party giving to the other notice in writing, in which event this Agreement shall, terminate on the expiry of a period of twenty four (24) months from the date upon which such notice is received unless terminated earlier in accordance with this Clause 17. Where the Vessel is not at a convenient port or place on the expiry of such period, this Agreement shall terminate on the subsequent arrival of the Vessel at a convenient port or place.

17.2 Termination by default - Owners

(i) The Managers shall be entitled to terminate the Agreement with immediate effect by notice in writing if any moneys requested by the Managers from the Owners or the owners of any vessel in the Fleet, shall not have been received in the Managers' nominated account within five (5) days of payment having been requested in writing by the Managers or if the Owners fail to comply to the reasonable satisfaction of the Managers with the requirements of Clauses 6.3, 6.4 and 6.5 or if the Vessel is repossessed by a mortgagee.

(ii) If the Owners

(a) otherwise fail materially to meet their obligations hereunder for reasons within their control; or

(b) employ the Vessel in the carriage of contraband, blockade running or in an unlawful trade, or on a voyage or in a manner which, in the sole discretion of the Managers, is unduly hazardous or improper, or potentially unlawful; or

(c) fail to comply with a request for information or cooperation, or to comply with any recommendation of the Managers which the Managers consider to be reasonable and non compliance with which may affect the Managers' reputation or its obligations under the ISM Code or any other applicable laws or regulations

then the Managers may give written notice to the Owners specifying the default and requiring them to remedy it. In the event that the Owners fail to remedy such default (in the case of (a) above, if remediable) within a reasonable time to the reasonable satisfaction of the Managers, the Managers shall be entitled to terminate this Agreement with immediate effect by notice in writing.

17.3 Termination by Default - Managers

(i) If the Managers fail materially to meet their obligations under this Agreement for reasons within the control of the Managers, the Owners may give written notice to the Managers specifying the default and requiring them to remedy it as soon as practically possible. In the event that the Managers fail to remedy such default, if remediable, within a reasonable time to the reasonable satisfaction of the Owners, the Owners shall be entitled to terminate this Agreement with immediate effect by notice in writing.

(ii) If the Managers are convicted of, or admit guilt for, a crime, then the Owners shall be entitled to terminate this Agreement with immediate effect by notice in writing.

17.4 Liquidation

This Agreement shall terminate forthwith in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of either party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver, administrator or similar officer is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangement or composition with its creditors. The Managers shall be entitled to terminate this Agreement forthwith in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of the owner of any vessel in the Fleet (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver or similar officer is appointed to such owner, or if such owner suspends payment, ceases to carry on business or makes any special arrangement or composition with its creditors.

17.5 Extraordinary Termination

This Agreement shall be:

(i) terminated in the case of a sale of the Vessel ("ET1"), and the date upon which the Vessel is to be treated as having been sold or otherwise disposed of shall be the date on which the Vessel's owners cease to be the registered owners of the Vessel;

(ii) deemed to be terminated if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss or is requisitioned or has been declared missing, or the Vessel is bareboat chartered for a period of less than three (3) years, when the bareboat charter comes to an end (in either case, "ET2");

(iii) terminated if the Vessel is bareboat chartered for a period of three (3) years or more, unless otherwise agreed, when the bareboat charter comes to an end ("ET3"); or

(iv) terminated if the Vessel is not delivered to the Owners within 100 days of the Effective Date ("ET4").

17.6 For the purpose of sub-Clause 17.5 hereof:
the Vessel shall not be deemed to be lost until either she has become an actual total loss or agreement has been reached with her Underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred or a Notice of Abandonment is issued to underwriters.

17.7

(i) In the event of a termination of this Agreement for an ET2 event or for any other reason except: (i) in the case of default by the Manager; or (ii) an ET1, ET3 or ET4 event, the Fees payable to the Managers according to the provisions of Clause 8.1 (Management Fee) shall continue to be payable for three (3) months.

(ii) In the event of a termination of this Agreement for an ET1, ET3 or ET4 event (and absent a Change of Control):

(aa) the Fees payable to the Managers according to the provisions of Clause 8.1 (Management Fee), shall continue to be payable for a further period of three (3) months as from the date of termination; and

(bb) the Owners are to provide written notice of termination to Managers at least three (3) months prior to the date of termination. Where Managers do not receive at least three (3) months prior written notice of the date of termination the Fees in (aa) shall be increased by three (3) months of Fees, reduced by the pro rata amount where prior written notice of the date of termination was given.

(iii) On or following a Change of Control, Clauses (ii)(aa) and (bb) above shall not apply and in the event of a termination of this Agreement for an ET1, ET3 or ET4 event, the Fees payable to the Managers according to the provisions of Clause 8.1 (Management Fee), shall continue to be payable for a further period of twenty-four (24) months as from the date of termination.

(iv) In the event of a termination of this Agreement for an ET4 event, no termination fee shall be due and payable hereunder where the Owners are required to pay an early termination fee as the same is described in the Master Agreement.

(v) All amounts due and payable under this Clause 17.7 shall be accelerated and immediately payable in one lump sum on the date of termination.

17.8 The termination of this Agreement shall be without prejudice to all rights accrued due between the parties prior to the date of termination.

17.9 All outstanding fees and other sums payable by the Owners require to be paid in full on or prior to termination, for whatever reason, of this Agreement. Save where the Agreement is properly terminated by the Owners in accordance with Clause 17.3, the Managers shall be paid fees in accordance with Clause 8.5 or Clause 17.7 where terminated in accordance with Clause 17.5. The Owners shall also pay on demand Severance Costs together with repatriation costs and any other expenses which arise directly as a result of the termination.

18. Confidentiality

18.1 As between the Owners and the Managers, the Owners hereby agree and acknowledge that all title and property in and to the management manuals of the Managers and other written material of the Managers concerning management functions and activities is vested in the Managers and the Owners agree not to disclose the same to any third party and, on the termination of this Agreement, to return all such manuals and other material to the Managers. For the purposes of this Clause reference to "the Managers" includes the parent, subsidiary and associated companies of the Managers and any third parties providing Management Services.

19. **Suspension of Services**

If, at any time, the Owners have failed to pay the sums due and owing, as set out in Clause 9, or are in breach of any other terms of this Agreement, in addition to the Managers' rights pursuant to Clause 17 to terminate, the Managers shall, without prejudice to their liberty to terminate, be entitled to withhold/suspend the performance of any and all of their obligations hereunder (including, but not limited to, removal of Crew) and shall have no responsibility whatsoever for any consequences thereof, in respect of which the Owners hereby indemnify the Managers, and fees (as set out in the Fee Schedule) shall continue to accrue and any extra expenses resulting from such withholding shall be for the Owners' account. To the extent the rights of Managers as set out in this Clause 19 are limited in any way by any undertaking Managers may have given or be required to give to any of the banks financing the Vessel, Managers hereby reserve the right to approach any such bank at any time to discuss suspending services in the absence of continued nonperformance by the Owners.

20. Law and Arbitration

20.1 This Agreement shall be governed by English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 and any amendment thereto or substitution therefor.

20.2 The arbitration shall be conducted in accordance with the London Maritime Arbitrators' (LMAA) Terms current at the time when the arbitration is commenced.

20.3 Save as mentioned below, the reference shall be to three arbitrators, one to be appointed by each party and the third by the two so appointed. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment to the other party requiring the other party to appoint its arbitrator within 14 days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and give notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring the dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be as binding as if he had been appointed by agreement.

20.4 In cases where neither the claim nor any counterclaim exceeds the sum of US$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

20.5 Except to the extent provided for in Clauses 10 and 11 no third party shall have the right to enforce any term of this Agreement.

21. Amendments to Agreement

The Managers reserve the right to make such changes to this Agreement as they shall consider necessary to take account of regulatory changes which come into force after the date hereof and which affect the operation of the Vessel. Such changes will be notified in writing to the Owners and will come into force on notification or on the date on which such regulatory or other changes come into effect (whichever shall be the later).

22. Time Limit for Claims

Any and all liabilities of either party to the other arising under this Agreement or otherwise in relation to the Vessel (except in the case of fraud) shall be deemed to be waived and absolutely barred on the relevant date unless prior to the relevant date written particulars of any claim (giving details of the alleged breach in respect of which such claim is made and a preliminary statement of the amount claimed) have been intimated in writing by the claimant by the relevant date, and any such claim shall be deemed (if it has not previously been satisfied, settled or withdrawn) to have been withdrawn unless arbitration proceedings have been commenced under Clause 20 prior to the expiry of six (6) months after the relevant date. For the purposes of this Clause 22, the “relevant date” is one year after the date of termination, for whatever reason, of this Agreement.

23. Condition of Vessel

The Owners acknowledge that they are aware that the Managers are unable to confirm that the Vessel, its systems, equipment and machinery are free from defects, and agree that the Managers shall not in any circumstances be liable for any losses, costs, claims, liabilities and expenses which the Owners may suffer or incur resulting from pre-existing or latent deficiencies in the Vessel, its systems, equipment and machinery.

24. Notices

24.1 Any notice or other communication under or in relation to this Agreement (a “Communication”) may be sent by fax, registered or recorded mail, by personal delivery or electronically.

24.2 The addresses of the parties for service of a Communication shall be as stated in Boxes 6 and 7 respectively of Part I.

24.3 A Communication shall be deemed to have been delivered and shall take effect:

(i) in the case of a fax or email, on the day of transmission; and

(iii) if delivered personally or sent by registered or recorded mail at the time of delivery.

25. Staff Loyalty

The Owners shall not and shall procure that their parent, subsidiary and associate companies shall not, without the written consent of the Managers, during the course of this Agreement or for a period of six (6) months following termination directly or indirectly offer any employment to any employee of the Managers engaged in providing Management Services or directly or indirectly induce or solicit any such person to take up employment with the Owners or any associated or affiliated company or use the services of any such person either independently or via a third party. In the event that the Managers agree to any of its employees accepting an offer of employment as aforesaid, the Owners shall pay to the Managers a sum equivalent to 25% of the new annual salary of that employee, payable within seven days of the date of the written agreement of the Managers. Such payment shall be construed as liquidated damages and not as a penalty, being the parties agreed reasonable estimate of the Managers’ loss.

26. Entire Agreement

26.1 Any additional clauses attached hereto together with the Master Agreement, Confirmation, any subsequent, addenda, schedules, appendices or otherwise, shall be construed as an integral part of this Agreement and shall be interpreted accordingly. This Agreement constitutes the entire agreement and understanding of the parties. It supersedes any previous agreement, understanding, discussion or exchange between the parties (or their representatives) relating to the equipment or service which now forms the subject matter of this Agreement.

26.2 By signing this Agreement both parties agree and represent to each other that neither party is entering into this Agreement as a result of, or in reliance on, any warranty, representation, statement, agreement or undertaking of any kind whatsoever (whether in writing or oral and whether made negligently or innocently) made by any person other than as expressly set out in this Agreement as a warranty and identified as such.

26.3 For the avoidance of doubt, it is intended and agreed that any liability which might otherwise have arisen in tort for negligent misrepresentation or for negligent or innocent misrepresentation, whether at common law or under statue, is hereby excluded and any remedy that might otherwise have so arisen is forsworn.

27. Partial Validity

If any provision of this Agreement is or becomes or is held by any arbitrator or other competent body to be illegal, invalid or unenforceable in any respect under any law or jurisdiction, the provision shall be deemed to be amended to the extent necessary to avoid such illegality, invalidity or unenforceability, or, if such amendment is not possible, the provision shall be deemed to be deleted from this Agreement to the extent of such illegality, invalidity or unenforceability and the remaining provisions shall continue in full force and effect and shall not in any way be affected or impaired thereby.

28. Performance Guarantee

In consideration of the Managers entering into this Agreement with the Owners and for other good and valuable consideration, the Guarantor unconditionally and irrevocably guarantees to the Managers as primary obligor and not merely as surety the due and punctual observance and performance of all the obligations of the Owners under this Agreement. It is agreed in connection with such guarantee, that:

(i) the Managers shall not be bound to exhaust their recourse against the Owners before calling on the Guarantor to perform any outstanding obligation of the Owners under this Agreement;

(ii) this shall be a continuing guarantee which shall remain in force until termination of this Agreement and thereafter for so long as any claim arising from or related to the breach by the Owners of any and all of their obligations and liabilities under this Agreement remains outstanding and are not prescribed or time barred under any applicable statute or law. This guarantee shall not be affected by any variation of the terms of this Agreement, or by any other act, omission, matter or thing which, but for this provision, might operate to release or exonerate the Guarantor from its obligations as guarantor in whole or in part;

(iii) the Guarantor's obligations hereunder shall be in additional to and shall not in any way be prejudiced by any other guarantees granted or covenants assumed now or in the future by the Guarantor in favour of the Managers with respect to any claim the Managers has or may have against the Owners or the Guarantor under either of the Master and/or this Agreement;

(iv) the Guarantor, acting for itself and its successors and assigns, hereby expressly and irrevocably consents to and submits to be bound by the provisions of Clause 20 hereof.

29. **Non Waiver**

No failure to exercise nor any delay in exercising any right, power, privilege or remedy under this Agreement shall in any way impair or affect the exercise thereof or operate as a waiver in whole or in part. No single or partial exercise of any right, power, privilege or remedy under this Agreement shall prevent any further or other exercise thereof or the exercise of any other right, power, privilege or remedy.

SHIP MANAGEMENT AGREEMENT - PART III

SERVICES PROVIDED BY ASSOCIATED COMPANIES

1. Travel Management on a 24 hour basis

Services include controls for verifying quotes, integrated billing system, consultancy, cost control and account management, visa assistance, corporate travel.

2. Catering

Services include cargo ship catering, consulting for start-up, new building, and operational review, purchasing and logistics.

3. Technical analysis of vessel performance

Services include the monitoring of vessel performance by collecting and analysing the main parameters affecting fuel consumption: main engine (ME) consumption, condition of hull and propeller, sludge production and itinerary management in terms of speed and rpm.
The above findings are compiled in monthly reports containing trends and comparisons to optimum performance and to sister/similar vessels, if any, with the purpose of improvement in speed and consumption, cleaning of hull/propeller, operation of vessel within charterparty limits and provision of documents in support of commercial claims.
The service is tailor-made to suit the existing recording equipment available onboard and will include suggestions for improvement fully supported by ROI analysis.
The technical performance of the ME is analysed in terms of ME load balance, fuel injection pump, air cooler, Turbo Charge and Economiser conditions with the purpose of improvement in fuel and lube oil consumption and the streamlining spare parts procurement.

4. Agency

Services include protecting, husbandry and charterers' Agents, port services, spares, logistics, crew and offshore support for Crew movements when and where available.

5. Underwater services

Routine underwater inspections, propeller and hull cleaning. Underwater repair and maintenance as required.

6. Engineering services and consultancy

Services include naval architecture, engineering, design, emergency and oil spill response services, laser scanning, new construction supervision and project management services.

7 Repairs and Installations

Provision of riding gangs, turnkey repairs and installations, engine overhauling, electrical installations, annual services and NDT testing.

8. Insurance

Services include arranging insurance and managing claims in accordance with Clause 3.4 of this ship management agreement, on such terms as the Owners shall have instructed or agreed, in particular regarding conditions, insured values, deductibles, franchises and limits of liability.

9. Salvage and oil spill response

Services include global emergency response in way of towing, marine firefighting, damage stability, salvage, spill response including statutory compliance services.

SHIP MANAGEMENT AGREEMENT - PART IV

FEE SCHEDULE

SHIP NAME:

BASIC SERVICES (Clause 3 of Part II)	**Amount**	**Frequency**
Fees (i)		
Management Fee	$160,000 annual	Pro rata monthly in advance
SECAT Retainer Fee	$1,500 per month	Monthly in advance
Crew Management Fee	$1,834 per month	Monthly in advance
(ii)		
Manning Fee	$2,917 per month	Monthly in advance
(b) Expenses		
Management Expenses: Fixed Cost invoice - Certain Overheads as per Budget (Part VI)	[TBD]	[TBD]
Crewing Expenses: Fixed Cost invoice - Crewing Expenses (Part VI)		Monthly in advance
		Monthly in advance

SHIP MANAGEMENT AGREEMENT - PART V

FLEET DETAILS

SHIP MANAGEMENT AGREEMENT - PART VI

INITIAL BUDGET

Crew

I. The following “Crewing Expenses” are assessed as a fixed cost based on the agreed budget and subject to the Vessel’s crew complement and trading area remaining unchanged (Fixed Cost Invoice - General Crewing Expenses):

Recruitment costs to include:
- Medical costs
- Training costs
- Visa costs
- Medical insurance costs
- Domestic travel
- Wage related union costs
- Flag required licenses
- MSO communications
- Bank charges (in relation to allotments)
- Working gear

If the Vessel’s Crew complement and/or trading area are changed with the result that the abovementioned component costs increase the Owners agree that the fixed cost shall be revised as may be mutually agreed.

The Managers shall be subject to the auditing and control requirements of the Owner but shall not be required on a regular basis to provide to the Owners any invoices or related documentation for items within the Fixed Cost Invoice.

II. Other costs are charged on an itemized basis including:
Crew Travel
Crew Wages
ITF fee
Victualling
D&A testing
Crew welfare

Insurance
Hull & Machinery Premiums
Increased Value Premium
War Risks Premium
Freight, Defence & Demurrage
P&I Premiums
Loss of Hire Insurances

Technical
Stores
Spares
Lub Oils
Surveys & Services
Repairs

Safety & Risk

Administration / Overheads
Registration Expenses

Management Fees

“Management Expenses” as per Cl. 8.4
If fixed management expenses are agreed in the budget, the Managers shall not be required to provide to the Owners any invoices or related documentation for items within the Fixed Management Expenses Invoice.

Other Costs

OPERATING COSTS EXCL. DRYDOCKING

Drydocking
Dry docking Provision
Extraordinary M&R

OPERATING COSTS INCL. DRYDOCKING

SHIP MANAGEMENT AGREEMENT - PART VII

CHANGE OF CONTROL DEFINITION SALT

(A) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of SALTs or its subsidiaries assets, taken as a whole, to any Person other than to the Existing Ownership Group;

(B) an order made for, or the adoption by the Board of Directors of a plan of, liquidation or dissolution of SALT;

(C) the consummation of any transaction (including any merger or consolidation) the result of which is that any Person, other than the Existing Ownership Group, becomes the beneficial owner, directly or indirectly, of a majority of SALTs Voting Securities, measured by voting power rather than number of shares;

(D) if, at any time, SALT becomes insolvent, admits in writing its inability to pay its debts as they become due, is adjudged bankrupt or declares bankruptcy or makes an assignment for the benefit of creditors, or makes a proposal or similar action under the bankruptcy, insolvency or other similar laws of any applicable jurisdiction or commences or consents to proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction;

(E) the consolidation of SALT with, or the merger of SALT with or into, any Person, other than the Existing Ownership Group, or the consolidation of any Person, other than the Existing Ownership Group with, or the merger of any Person other than the Existing Ownership Group with or into, SALT, in any such event pursuant to a transaction in which any of the common stock outstanding immediately prior to such transaction are converted into or exchanged for cash, securities or other property or receive a payment of cash, securities or other property, other than any such transaction where SALTs Voting Securities outstanding immediately prior to such transaction are converted into or exchanged for Voting Securities of the surviving or transferee Person constituting a majority (measured by voting power rather than number of shares) of the outstanding Voting Securities of such surviving or transferee Person immediately after giving effect to such issuance; or

(F) a change in directors after which a majority of the members of the Board of Directors are not directors who were either nominated by, appointed by or otherwise elected with the approval of current board members at the time of such election.

“Affiliates” means, with respect to any Person as at any particular date, any other Persons that directly or indirectly, through one or more intermediaries, are Controlled by, Control or are under common Control with the Person in question, and “Affiliate” means any one of them.

“Existing Ownership Group “ means SSH and all Affiliates thereof.

“Control” or “Controlled” means, with respect to any Person, the right to elect or appoint, directly or indirectly, a majority of the directors of such Person or a majority of the Persons who have the right, including any contractual right, to manage and direct the business, affairs and operations of such Person, or the possession of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of Voting Securities, by contract, or otherwise.

“Governmental Authority” means any domestic or foreign government, including any federal, provincial, state, territorial or municipal government, any multinational or supranational organization, any government agency (including the U.S. Securities and Exchange Commission), any tribunal, labor relations board, commission or stock exchange (including the New York Stock Exchange), and any other authority or organization exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government.

“Person” shall have the meaning ascribed to such term in Section 13(d)(3) of the Securities Exchange Act, as amended.

“SSH” shall mean Scorpio Services Holding Limited, a Marshall Islands corporation whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960.

“SALT” shall mean Scorpio Bulkers Inc., a company incorporated under the laws of the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

“Voting Securities” means securities of all classes of a Person entitling the holders thereof to vote on a regular basis in the election of members of the board of directors or other governing body of such Person.

RIDER CLAUSES

FOR SHIPMAN 2009 STANDARD SHIP MANAGEMENT

AGREEMENT

30. OPA

30.1 The Managers will:

(i) arrange for the preparation, filing and updating of a contingency Vessel Response Plan in accordance with the requirements of OPA and instruct the Crew in all aspects of the operation of such plan; and

(ii) identify and ensure the availability by contract or otherwise of a Qualified Individual, a Spill Management Team, an Oil Spill Removal Organization, resources having salvage, fire fighting, lightering and, if applicable, dispersant capabilities, and public relations/media personnel to assist the Owners to deal with the media in the event of discharges of oil.

30.2 The Managers are expressly authorized as agents for the Owners to enter into such arrangements by contract or otherwise as are required to ensure the availability of the services outlined in Clause 30.1. The Managers are further expressly authorized as agents for the Owners to enter into such other arrangements as may from time to time be necessary to satisfy the requirements of OPA or other US Federal or State laws.

30.3 The Owners will pay the fees due to third parties providing the services described above. The third party fees will be included in the Vessel's running costs.

30.4 On termination of this Agreement, the Vessel Response Plan and all documentation will be returned to the Managers at the expense of the Owners.

31. IT Services

31.1 The Managers will, subject to the remaining provisions of this Clause 31, provide the Vessel with the Management System Software.

31.2 The main features of the Management System Software at the date of this Agreement are:

(i) comprehensive management software providing single point of entry to the Vessel incorporating crew management, defect and deficiency reporting and performance monitoring;

(ii) a ship to shore and shore to ship e-mail package providing cost efficient communications available to both Managers and their charterers; and

(iii) a computerized maintenance system including inventory control and automated purchase order handling.

31.3 The costs for the Management System Software are included in the Vessel's operating costs, as follows:

(i) the annual maintenance fee;

(ii) maintenance and upgrades;

(iii) 24 hour support;

(iv) provision of anti-virus software and regular upgrades;

(v) operational manuals and regular updates;

(vi) annual audit on board the Vessel providing a system health check;

(vii) user manuals and training of the Crew in the use of the Management System Software; and

(viii) e-mail on board the Vessel.

31.4 Such costs do not include the costs of appropriate hardware, licence fee and installation/set-up on board the Vessel which will be included in the taking over cost.

31.5 Installation and set-up of the Information System Software will be undertaken on a date agreed between the Managers and the Owners having regard to the Vessel's schedule and the availability of the Managers' personnel.

31.6 The Management System Software is protected by applicable copyright and patent laws.

31.7 The Managers do not warrant that the use or operation of the Information System Software will be uninterrupted or error free.

32. Management Fee

32.1 Without prejudice to the generality of Clause 8 (Management Fee), it is agreed that the remuneration provided for by that Clause shall be deemed to cover the Manager's administrative and general expenses and any other expenses which are not directly and exclusively applicable to the operation or conduct of the business of the Vessel and shall include:

Salaries of corporate officers, executives, department heads, administrative, clerical and office employees, port engineers, port captain, port stewards, paymaster and other employees of the shore side establishment, payroll taxes, group insurance and pension annuity payments applicable to personnel in the above named categories, office and administrative expenses, including insurance, rent, heat, light, power, office stationary, office services, depreciation and repair of office equipment, janitor services and expenses, accounting expenses, the Managers' outside auditing fees, dues and membership in trade associations, office subscriptions, contributions and donations and franchise taxes, as well as legal fees in connection with the Managers' corporate and management functions, excluding all and any legal fees or other expenses incurred by the Managers in connection with any claims arising out of any matter related with the Vessel.

32.2 In addition to the remuneration payable to the Managers under the provision of Clause 8 and this Clause, the Owners shall reimburse the Managers for, inter alia, the amount of such necessary travelling expenses (outside Monaco), seafarers interviewing costs, costs of telephone calls, communication, vessel's postage, freight and forwarding, warehousing, agency services and fees which are not included in budget and will be treated as contingency costs. For estimation purpose only and without guarantee, contingencies could amount to a 5% of annual total budget.

33. Dry docking

Dry docking to be carried out with prior approval of costs by the Owners. The drydocking specification shall be prepared by the Managers and approved by the Owners.

34. Benefit of Existing and Future Contracts

Where possible, the Owners shall (for the duration of this Agreement) have the advantage of any existing or future contracts of the Managers for the purchase or renewal of materials, facilities, services or equipment, by way of the benefit of discounts (if any).

35. Passing of Title

35.1 To the extent already paid for by the Managers using funds specifically provided by the Owners for such a purpose, title to any goods, materials or supplies purchased by the Managers for use in the performance of this Agreement shall belong to the Owners.

35.2 Upon termination of this Agreement all such goods, materials or supplies in the hands of the Managers shall be delivered to the Vessel or if requested by the Owners the Managers shall sell or dispose of such goods, materials or supplies at such price, terms and conditions as may be approved by the Owners and remit the proceeds thereof less any expenses incurred in selling or disposing of such goods to an account of the Owners, to be advised separately in writing to the Managers.

36. Termination on Bareboat Charter of Vessel

The Managers shall be entitled to terminate this Agreement by notice in writing in the event that the Vessel is bareboat chartered by the Owners. The date upon which the Vessel is to be treated as having been bareboat chartered, shall be the date on which the Owners deliver the Vessel to bareboat charterer, notwithstanding the fact that the Managers may learn of the bareboat charter at a later date.

37. Slop and any other disposal ashore

Disposal of slop, sludge, bilge, garbage produced for whatever reason (including but not limited to tank inspection, repairs, drydock preparation, tank cleaning) and any other disposal ashore compulsory as per local regulation is considered out of budget and the Owners shall provide the Managers with such additional funds as may be required.

38. ISPS Code

38.1 The Manager shall comply with the requirements of the International Code for the Security of Ships and of Port Facilities and the relevant amendments to Chapter XI of SOLAS (ISPS Code) relating to the Vessel and "the Company" (as defined by the ISPS Code). If trading to or from the United States or passing through United States waters, in addition to ensure that the Vessel has been issued with a COFR, the Manager shall also comply with the requirements of the US Maritime Transportation Security Act 2002 (the "MTSA") relating to the Vessel and the "Owner" (as defined by the MTSA).

38.2 Where sub-chartering, the Owner shall ensure that the contact details of all sub-charterers are provided to the Managers and the Master. Furthermore, the Owners shall ensure that all charter parties entered into during the period of this Agreement contain the following provision:

"The Charterers shall provide the Owners with their full style contact details and, where sub-chartering is permitted under the terms of the charter party, shall ensure that the contact details of all sub-charterers are likewise provided to the Owners".

38.3 Notwithstanding anything else contained in this Agreement all costs or expenses whatsoever arising out of or related to security regulations or measures required by the port facility or any relevant authority in accordance with the ISPS Code and/or the MTSA including, but not limited to, security guards, launch services, vessel escorts, security fees, waiting costs and associated expenses, taxes and inspections, shall be out of budget. All measures required by the Manager to comply with the Ship Security Plan shall be for the Manager's account excluding costs associated with calls at non ISPS compliant port, facilities, installations, vessels or port, facilities, installations, vessels included in any relevant authority warning list (i.e. USCG Port Security Advisory) as applicable in which case Owners shall provide Managers with such additional funds as may be required.

39. Additional Costs

The Owners' representative's meals and slop chest, charterers' meal and slop chest, representation costs, gratuity provided with the aim to safeguard Vessel's operation and given in the sole discretion of Master will be separately debited to the Owners at cost. Any extraordinary trading cost (including but not limited to AMPD, COFR, ENOA/D, ICB, EWR coverage, Ransom and Kidnap coverage, security guard, special arrangement for transiting pirate infested areas etc.), will be debited to Owners at cost, out of budget, under contingency accounting code.

40. Provision of Information

The Owners undertake to provide to the Managers directly or through the charterers all information and instruction necessary for the Master to efficiently perform his duties including but not limited to: charterers name and full style, cargo information including MSDS, cargo carriage instruction relevant to that particular cargo (loading, segregating, carrying, heating, discharging, purging, ventilating, tank cleaning, inerting, stripping, COW washing instruction), port and terminal information and requirements, navigation instruction, speed to be attained, notification requirement, agency full style, fuel MSDS, bunker delivery notes, information necessary for AMS reporting, chartering contracts the Owners will enter into, voyage instructions including service speeds to attain.

41. HSQEEn blanket approval clause

The Owner undertakes to provide full support for the implementation and approval of the Managers' health, safety, quality, environmental and energy management policy including extra costs which could be from time to time communicated to Owners.

42. Cabotage, storage and STS

Cabotage, storage and frequent STS are not considered normal operations and a special evaluation of risk and extra costs will be provided on a case by case basis by the Managers. The Owners shall make available to the Managers such additional funds as may be required in order for such additional duties to be carried out.

43. Payments

All payments to the Managers shall be made in (i) full without any withholdings and (ii) US Dollars, to the account of the Managers from time to time advised to the Owners by the Managers.

44. Third Party Rights

44.1 Any person (other than parties to this Agreement) who is given any rights or benefits under Clauses 11.3, 11.4 or 11.5 (a "Third Party") shall be entitled to enforce those rights or benefits against the parties in accordance with the Contracts (Rights of Third Parties) Act 1999.

44.2 Save as provided in Clause 44.1 above the operation of the Contracts (Rights of Third Parties) Act 1999 is hereby excluded.

44.3 The parties may amend vary or terminate this Agreement in such a way as may affect any rights or benefits of any Third Party which are directly enforceable against the parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of any such Third Party.

44.4 Any Third Party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this Agreement may not veto any amendment, variation or termination of this Agreement which is proposed by the parties and which may affect the rights or benefits of any such Third Party.

45. Bunker Quality

45.1 The Owners or its agent shall provide that bunkers supplied comply with ISO 8217:2010 RMG 380 or ISO 8217:2010 RMK 500, where available, or alternatively ISO 8217:2005(E) for heavy fuel and with ISO 8217:2010/2005 DMA for distillate and subsequent amendments to any of the foregoing, and comply with Marpol Annex VI reg 14 and 18 as amended. Where these standards are not available, the Owners or its agent shall submit to the Managers the specifications of the available fuels in order for the Managers to recommend an alternative course of action.

45.2 At the time of delivery of the Vessel the Owners or its agent shall place at the disposal of the Managers, the bunker delivery note(s) and any samples relating to the fuels existing on board. During the currency of the contract, the Owner or its agent shall ensure that bunker delivery notes are presented to the Vessel on the delivery of fuel(s) and that during bunkering representative samples of the fuel(s) supplied shall be taken at the Vessel's bunkering manifold and sealed in the presence of competent representatives of the fuel supplier and the Vessel as foreseen by Marpol.

45.3 Without prejudice to anything else contained in this contract, the Owners or its agent shall provide that fuel supplied is of such specifications and grades to permit the Vessel, at all times, to comply with any requirements (i.e. the maximum sulphur content) of any emission control zone when the Vessel is ordered to trade within that zone.

45.4 The Owners or its agent also warrant that any bunker suppliers, bunker craft operators and bunker surveyors used by the Owners or its agent to supply such fuels shall comply with Regulations 14 and 18 of MARPOL Annex VI as applicable, including the Guidelines in respect of sampling and the provision of bunker delivery notes.

45.5 Owners or its agent to provide that the quantity of the bunker kept on board is sufficient for the intended voyage plus a 20% margin. If the next voyage is less than 10 days, the minimum extra margin of bunker fuel is at least for 2 days of navigation. For vessel with a single boiler system, minimum 30 tons of distillate to be always kept on board. Commingling of bunker is not recommended. Managers not to be held responsible for any consequence of commingling.

45.6 In the event of a dispute with bunkers suppliers regarding the bunker's quality, the Managers will advise the Owners for their consideration/decision.

46. War, war risk areas trading.

46.1 Managers will, upon the request of either the Owner or his agents, provide an assessment on the occasion the Vessel may be ordered to trade in any war, warlike area as defined by JWC, and any cost directly or indirectly incurred as a consequence of such an order will be out of budget and debited to the Owners as ‘contingency cost’.

46.2 For the purpose of this Clause, the words war risk shall include any actual, threatened or reported war; act of war; civil war; hostilities; revolution; rebellion; civil commotion; warlike operations; laying of mines; acts of piracy; acts of terrorists; acts of hostility or malicious damage; blockades (whether imposed against all vessels or imposed selectively against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever); by any person, body, terrorist or political group, or the Government of any state whatsoever, which, in the reasonable judgment of the Managers, may be dangerous or are likely to be or to become dangerous to the Vessel, her cargo, crew or other persons on board the Vessel.

47. Ice trading.

Managers will, upon the request of either the Owner or his agents, provide an assessment on the occasion the Vessel may be ordered to trade in any ice bound area as defined by IWL or by prevailing local condition, and any cost directly or indirectly incurred as a consequence of such order will be out of budget and debited to Owners as ‘contingency cost’.

48. Sub-let.

Any extra cost and expenses necessary for Owner to perform any sub-letting charterer contract are excluded from budget. Take over cost are excluded from budget and vessel is supposed to be fully stocked at delivery

49. Entire Agreement

49.1 This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter of this Agreement; and (in relation to such subject matter) supersedes all prior discussions, understandings and agreements between the parties and all prior representations and expressions of opinion by the parties.

49.2 Each of the parties acknowledges that it is not relying on any statements, warranties, representations or understandings (whether negligently or innocently made) given or made by or on behalf of the other in relation to the subject matter hereof and that it shall have no rights or remedies with respect to such subject matter otherwise than under this Agreement. The only remedy available shall be for breach of contract under the terms of this Agreement. Nothing in this Clause shall, however, operate to limit or exclude any liability or fraud.

50. Managers compliance with governing laws

50.1 The Managers, in the performance of their duties and responsibilities on behalf of the Owners hereunder, undertake that they shall take no action that will violate anti-bribery laws applicable to the Owners.

50.2 The Owners shall not be liable to the Managers for any fines or similar penalties incurred by the Managers as a result of any breach by the Managers of anti-bribery laws applicable to the Owners.

50.3 The Managers shall immediately notify the Owners of any violation of any governing law claimed to have been committed by the Managers.

50.4 Any expenses submitted by the Managers for payment under this Agreement shall have been legally incurred in connection with the management services performed under this Agreement. No money or other items of value, whether or not reimbursable under this Agreement, will be paid, promised, offered or authorised by the Managers to any person employed by or acting on behalf of any government or government agency for the purpose of or having the effect of: (i) bribery, kickback or other corrupt practices; (ii) influencing any act or decision of such person or agency; (iii) inducing any such person or agency to do any act in violation of their lawful duty.

50.5 The Owners shall have the right to audit the Managers' books and records at any reasonable time to determine Managers' compliance with the Managers' commitments under this Clause 49. Notwithstanding anything to the contrary in this Agreement regarding the parties termination rights, the Owners may unilaterally terminate this Agreement if the Managers admit violating or there has been a proven violation of any commitment by the Managers under this Clause 50.

51. Insurance

In relation to insurances:

(i) Ransom and kidnap insurance is required for transits through any high risk areas.

(ii) The parties may agree to waive the requirement for diversion cover in certain circumstances.

52. Letter of undertaking

The Owners may require the Managers to enter into managers' undertakings and/or assignments of insurances in the form received from the bank financing the Vessel and the Managers' shall not unreasonably withhold or delay their consent and/or signature of the same.

Exhibit 8.1

Scorpio Bulkers Inc.
Subsidiaries

Subsidiary	Jurisdiction of Incorporation
SBI Achilles Shipping Company Limited	Republic of the Marshall Islands
SBI Antares Shipping Company Limited	Republic of the Marshall Islands
SBI Apollo Shipping Company Limited	Republic of the Marshall Islands
SBI Aries Shipping Company Limited	Republic of the Marshall Islands
SBI Athena Shipping Company Limited	Republic of the Marshall Islands
SBI Bolero Shipping Company Limited	Republic of the Marshall Islands
SBI Bravo Shipping Company Limited	Republic of the Marshall Islands
SBI Capoeira Shipping Company Limited	Republic of the Marshall Islands
SBI Carioca Shipping Company Limited	Republic of the Marshall Islands
SBI Chartering and Trading Ltd	Republic of the Marshall Islands
SBI Conga Shipping Company Limited	Republic of the Marshall Islands
SBI Cougar Shipping Company Limited	Republic of the Marshall Islands
SBI Cronos Shipping Company Limited	Republic of the Marshall Islands
SBI Echo Shipping Company Limited	Republic of the Marshall Islands
SBI Electra Shipping Company Limited	Republic of the Marshall Islands
SBI Flamenco Shipping Company Limited	Republic of the Marshall Islands
SBI Gemini Shipping Company Limited	Republic of the Marshall Islands
SBI Hera Shipping Company Limited	Republic of the Marshall Islands
SBI Hercules Shipping Company Limited	Republic of the Marshall Islands
SBI Hermes Shipping Company Limited	Republic of the Marshall Islands
SBI Hydra Shipping Company Limited	Republic of the Marshall Islands
SBI Hyperion Shipping Company Limited	Republic of the Marshall Islands
SBI Jaguar Shipping Company Limited	Republic of the Marshall Islands
SBI Jive Shipping Company Limited	Republic of the Marshall Islands
SBI Lambada Shipping Company Limited	Republic of the Marshall Islands
SBI Leo Shipping Company Limited	Republic of the Marshall Islands
SBI Libra Shipping Company Limited	Republic of the Marshall Islands
SBI Lynx Shipping Company Limited	Republic of the Marshall Islands
SBI Lyra Shipping Company Limited	Republic of the Marshall Islands
SBI Macarena Shipping Company Limited	Republic of the Marshall Islands
SBI Maia Shipping Company Limited	Republic of the Marshall Islands
SBI Mazurka Shipping Company Limited	Republic of the Marshall Islands
SBI Orion Shipping Company Limited	Republic of the Marshall Islands
SBI Parapara Shipping Company Limited	Republic of the Marshall Islands
SBI Pegasus Shipping Company Limited	Republic of the Marshall Islands
SBI Perseus Shipping Company Limited	Republic of the Marshall Islands
SBI Phoebe Shipping Company Limited	Republic of the Marshall Islands
SBI Phoenix Shipping Company Limited	Republic of the Marshall Islands
SBI Pisces Shipping Company Limited	Republic of the Marshall Islands
SBI Poseidon Shipping Company Limited	Republic of the Marshall Islands
SBI Puma Shipping Company Limited	Republic of the Marshall Islands

Subsidiary	Jurisdiction of Incorporation
SBI Reggae Shipping Company Limited	Republic of the Marshall Islands
SBI Rock Shipping Company Limited	Republic of the Marshall Islands
SBI Rumba Shipping Company Limited	Republic of the Marshall Islands
SBI Samba Shipping Company Limited	Republic of the Marshall Islands
SBI Samson Shipping Company Limited	Republic of the Marshall Islands
SBI Sousta Shipping Company Limited	Republic of the Marshall Islands
SBI Subaru Shipping Company Limited	Republic of the Marshall Islands
SBI Swing Shipping Company Limited	Republic of the Marshall Islands
SBI Tango Shipping Company Limited	Cayman Islands
SBI Taurus Shipping Company Limited	Republic of the Marshall Islands
SBI Tethys Shipping Company Limited	Republic of the Marshall Islands
SBI Thalia Shipping Company Limited	Republic of the Marshall Islands
SBI Ursa Shipping Company Limited	Republic of the Marshall Islands
SBI Virgo Shipping Company Limited	Republic of the Marshall Islands
SBI Zeus Shipping Company Limited	Republic of the Marshall Islands
SBI Zumba Shipping Company Limited	Republic of the Marshall Islands
Scorpio SALT LLC	Delaware

SCORPIO BULKERS INC.

CODE OF CONDUCT AND ETHICS

I. Application and Reporting

The Board of Directors of Scorpio Bulkers Inc. (the "**Company**") has adopted this Code of Conduct and Ethics (the "**Code**") for all of the Company's employees, directors, officers and agents ("**Employees**").

The Company has operations in countries around the world, and our Employees are citizens of these various countries. As a result, our operations are subject to a diverse set of local laws and cultures. You are expected to comply with this Code and all applicable laws and regulations. If local law ever conflicts with this Code, guidance must be sought from the office of the General Counsel for resolution.

The Company relies on your personal integrity to protect and enhance the Company's reputation. Employees shall take all appropriate action to stop any known misconduct by fellow Employees or other Company personnel that violate this Code. You are expected to immediately report suspected or observed violations of this Code, Company policies or applicable laws and regulations to any of the Company's management, the Chairman of the Audit Committee or the office of the General Counsel. Failure to follow the provisions of this Code can lead to disciplinary action up to and including termination.

Retaliation against anyone who reports a good faith concern is prohibited and will not be tolerated. Good faith means that your concern is honest and accurate to your knowledge, regardless of whether it is discovered at a later date that you were mistaken. Allegations made maliciously or in bad faith may be subject to disciplinary action.

II. Employment, General

The Company believes that all people should be treated with dignity, and it will not accept conduct that fails to show appropriate respect to others. Any conduct that fails to show appropriate respect to others, including fellow Employees, customers, professional customers, vendors and suppliers, violates the Company's values. The following are examples of unacceptable conduct: insults; yelling; threats; intimidation; ridicule; vulgarity; slurs, stereotyping, or discrimination; physical, verbal, or non-verbal harassment or abuse; offensive jokes; sexual advances, requests for sexual favors or any other unwelcome visual, verbal or physical conduct of a sexual nature; unwelcome touching or invasion of personal space; ignoring the rights of others; slandering or malicious rumors and insensitivity to the beliefs and customs of others.

The Company is committed to providing a safe, healthy and drug-free workplace. Using illegal drugs at any time, consuming alcohol whilst performing your employment duties on Company premises or working under the influence of drugs or alcohol, is strictly prohibited. This prohibition is a condition of your employment. Any Employee found in violation of this condition of employment is subject to immediate termination.

The Company is an equal opportunity employer committed to ensuring Employees work in an environment of mutual respect. We will not discriminate against any associate or applicant with regard to race, color, sex (gender), sexual orientation, gender identity or expression, age, religion or belief, national origin, disability, protected veteran or other uniformed service status or any other

characteristic or basis protected by applicable law, including but not limited to discrimination by association or perception.

III. Conflicts of Interest

A conflict of interest occurs when an Employee's private interests interfere, or even appears to interfere, with the interests of the Company as a whole. While it is not possible to describe every situation in which a conflict of interest may arise, you must never use or attempt to use your position with the Company to obtain improper personal benefits. Any Employee who is aware of a conflict of interest, or is concerned that a conflict might develop, should discuss the matter with the Audit Committee or the office of the General Counsel immediately.

IV. Corporate Opportunities

Employees shall neither compete with the Company nor shall they take personal advantage of business opportunities that they discover during the course of their employment. Employees owe a duty to advance the legitimate interests of the Company when the opportunities to do so arise.

V. Confidentiality and Privacy

It is important that Employees protect the confidentiality of Company information. Employees may have access to proprietary and confidential information concerning the Company's business, clients and suppliers. Confidential information includes such items as non-public information concerning the Company's business, financial results and prospects and potential corporate transactions. You are required to keep such information confidential during your employment as well as thereafter, and not to use, disclose, or communicate that confidential information. The consequences to the Company and the Employee concerned can be severe where there is unauthorized disclosure of any non-public, privileged or proprietary information.

To ensure the confidentiality of any personal information collected and to comply with applicable laws, any Employee in possession of non-public, personal information about the Company's customers, potential customers, or Employees, must maintain the highest degree of confidentiality and must not disclose any personal information unless express authorization is first obtained.

The restriction on disclosing confidential information is not intended to prevent you from reporting to the Company's management or directors, a government body or a regulator, concerns of any known or suspected Code violation; or to prevent you from reporting retaliation for reporting such concerns. It is also not the Code's intention to prevent you from responding truthfully to questions or requests from a government body, a regulator or as required by applicable law.

VI. Director Confidentiality

Pursuant to their fiduciary duties of loyalty and care, directors are required to protect and hold confidential all non-public information obtained due to their directorship position absent the express or implied permission of the board of directors to disclose such information. Accordingly,

(i) no director shall use Confidential Information for his or her own personal benefit or to benefit persons or entities outside the Company; and

(ii) no director shall disclose Confidential Information outside the Company, either during or after his or her service as a director of the Company, except with authorization of the board of directors or as may be otherwise required by law.

"**Confidential Information**" for purpose of this Section VI is all non-public information entrusted to or obtained by a director by reason of his or her position as a director of the Company. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed, such as:

- non-public information about the Company's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers and acquisitions, stock splits and divestitures;

- non-public information concerning possible transactions with other companies or information about the Company's customers, suppliers or joint venture partners, which the Company is under an obligation to maintain as confidential; and

- non-public information about discussions and deliberations relating to business issues and decisions, between and among Employees.

VII. Honest and Fair Dealing

Employees must endeavor to deal honestly, ethically and fairly with the Company's customers, suppliers, competitors and employees. No Employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. Honest conduct is considered to be conduct that is free from fraud or deception. Ethical conduct is considered to be conduct conforming to accepted professional standards of conduct.

VIII. Protection and Proper Use of Company Assets

The Company's assets are only to be used for legitimate business purposes and only by authorized Employees or their designees. This applies to tangible assets (such as office equipment, telephone, copy machines, etc.) and intangible assets (such as trade secrets and confidential information). Employees have a responsibility to protect the Company's assets from theft and loss and to ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. If you become aware of theft, waste or misuse of the Company's assets you should report this to your manager.

IX. Compliance with Laws, Rules and Regulations

It is the Company's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each Employee to adhere to the standards and restrictions imposed by those laws, rules and regulations, and in particular, those relating to accounting and auditing matters.

If you are unsure whether a situation violates any applicable law, rule, regulation or Company policy you should contact the office of the General Counsel.

X. Anti-Corruption and Anti-Bribery

Employees must never, directly or through intermediaries, offer or promise any personal or improper financial or other advantage in order to obtain or retain a business or other advantage from a third party, whether public or private. Nor must Employees accept any such advantage in return for any preferential treatment of a third party. Moreover, Employees must refrain from any activity or behaviour that could give rise to the appearance or suspicion of such conduct or the attempt thereof.

The UK Bribery Act 2010 (the "**Bribery Act**") and the Foreign Corrupt Practices Act (the "**FCPA**") (together the "**Anti-Corruption Legislation**") prohibit the Company and its employees and agents (and generally any person performing services on behalf of the Company) from offering, promising or giving money or any other item of value to win or retain business or to influence any act or decision of a third party and, in the case of the Bribery Act, regardless of whether such third party is a public official. Violation of the Bribery Act and/ or the FCPA is a crime that can result in severe fines and criminal penalties for both the relevant individual, the Company, its management and directors. The Company takes compliance with the Anti-Corruption Legislation very seriously. Accordingly, in addition to other existing and future measures, the Company has tasked an independent third party auditor to run annual and spot checks aimed at detecting and eventually preventing any impropriety. Employees with specific queries on either the Bribery Act and/ or the FCPA should contact the office of the General Counsel.

XI. Securities Trading

Because we are a public company, we are subject to a number of laws concerning the purchase of our shares and other publicly traded securities. Company policy prohibits Employees and their family members from trading securities while in possession of material, non-public information relating to the Company or any other company, including a customer or supplier that has a significant relationship with the Company.

Information is "material" when there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy, hold or sell securities. In short, any information that could reasonably affect the price of securities is material. Information is considered to be "public" only when it has been released to the public through appropriate channels and enough time has elapsed to permit the investment market to absorb and evaluate the information. If you have any doubt as to whether you possess material nonpublic information, you should contact your manager or the office of the General Counsel.

XII. Disclosure

Employees are responsible for ensuring that the disclosure in the Company's periodic reports is full, fair, accurate, timely and understandable. In doing so, Employees shall take such action as is reasonably appropriate to (i) establish and comply with disclosure controls and procedures and accounting and financial controls that are designed to ensure that material information relating to the Company is made known to them; (ii) confirm that the Company's periodic reports comply with applicable law, rules and regulations; and (iii) ensure that information contained in the Company's periodic reports fairly presents in all material respects the financial condition and results of operations of the Company.

Employees will not knowingly (i) make, or permit or direct another to make, materially false or misleading entries in the Company's, or any of its subsidiary's, financial statements or records; (ii)

fail to correct materially false and misleading financial statements or records; (iii) sign, or permit another to sign, a document containing materially false and misleading information; or (iv) falsely respond, or fail to respond, to specific inquiries of the Company's independent auditor or outside legal counsel.

XIII. Procedures Regarding Waivers

Because of the importance of the matters involved in this Code, waivers will be granted only in limited circumstances and where such circumstances would support a waiver. Waivers of the Code may only be made by the Audit Committee and will be disclosed by the Company.

XIV. Modern Slavery and Human Trafficking Statement

The Company is committed to acting with integrity for its clients, people, suppliers and the wider community. As a sign of our commitment to respecting human rights, we adhere to the UN's Guiding Principles on Business and Human Rights.

In following these principles, the Company:

- undertakes to avoid causing or contributing to adverse human rights impacts through its own activities and to address such impacts when they occur; and

- seeks to prevent or mitigate adverse human rights impacts that are directly related to its operations, products or services through its business relationships.

As part of our commitment to the UK Modern Slavery Act 2015 and eradicating modern slavery, the Company recognizes that we have a responsibility to take a robust approach to slavery and human trafficking. In particular, the Company is committed to ensuring that there is no modern slavery or human trafficking within its business and using suppliers we do not believe engage in such practices. All suppliers are expected to comply with the Company's values and policies on these matters.

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Emanuele A. Lauro, certify that:

1. I have reviewed this annual report on Form 20-F of Scorpio Bulkers Inc. (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 2, 2018

/s/ Emanuele A. Lauro

Name: Emanuele A. Lauro

Title: Chief Executive Officer (Principal Executive Officer)

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Hugh Baker, certify that:

1. I have reviewed this annual report on Form 20-F of Scorpio Bulkers Inc. (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 2, 2018

/s/ Hugh Baker

Name: Hugh Baker

Title: Chief Financial Officer (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 Scorpio Bulkers Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Emanuele A. Lauro, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 2, 2018

/s/ Emanuele A. Lauro

Name: Emanuele A. Lauro

Title: 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 Scorpio Bulkers Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Hugh Baker, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 2, 2018

/s/ Hugh Baker

Name: Hugh Baker

Title: Chief Financial Officer (Principal Financial Officer)

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Scorpio Bulkers Inc.

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (File Nos. 333-221441, 333-222448, 333-222013 and 333-217445) of Scorpio Bulkers Inc. of our report dated March 2, 2018 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

PricewaterhouseCoopers Audit

PricewaterhouseCoopers is represented by PricewaterhouseCoopers Audit, 63 rue de Villiers - 92200 Neuilly-sur-Seine, France.

March 2, 2018

Marseille, France,

SIMPSON | SPENCE | YOUNG

SSY Consultancy & Research Ltd

February 20, 2018

Scorpio Bulkers Inc.
9, Boulevard Charles III
MC 98000 Monaco

Gentlemen:

Reference is made to the Annual Report on Form 20-F of Scorpio Bulkers Inc. (the "Company") for the year ended December 31, 2017 (the "Annual Report") and the registration statements on Form F-3 (File Nos. 333-221441, 333-222448, 333-222013 and 333-217445) of the Company, as may be amended, including the prospectuses contained therein and any prospectus supplements related thereto (the "Registration Statements"). We hereby consent to all references to our name in the Annual Report and to the use of the statistical information and industry and market data in the full format (including all disclaimers) supplied by us as set forth in the Annual Report and to the incorporation by reference of the same in the Registration Statements.

We further advise the Company that our role has been limited to the provision of such statistical information and industry and market data supplied by us. With respect to such information and data, we advise you that:

(1) certain information in our database is derived from estimates or subjective judgments, and while we have taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures; and

(2) the information in the databases of other maritime data collection agencies may differ from the information in our database.

We hereby consent to the filing of this letter as an exhibit to the Annual Report, which is incorporated by reference into the Registration Statements.

Yours faithfully,

John Kearsey

JP Kearsey

Director

SSY Consultancy & Research Ltd

SSY Consultancy & Research Ltd
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